



Daily Report

East Asia

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Thai Prime Minister Addresses ESCAP Meeting

BK2504051896 (Internet) Thai Ministry of Foreign Affairs WWW in English 22 Apr 96

[“Unofficial translation” of the inaugural address by Thai Prime Minister Banhan Sinlapa-acha at the 52d Session of the United Nations Economic and Social Commission for Asia and the Pacific in Bangkok on 22 April]

[FBIS Transcribed Text] Mr. Chairman, Mr. Executive Secretary, Distinguished Delegates, Ladies and Gentlemen,

It is indeed a great honour and pleasure for me to preside over the opening ceremony of the Fifty-Second Session of the United Nations Economic and Social Commission for Asia and the Pacific [ESCAP]. On behalf of the Thai Government and people, I wish to extend a warm welcome to all the distinguished delegates attending this Meeting and hope that all of you will have a pleasant stay in Thailand.

In my address to the United Nations on the occasion of its Fiftieth Anniversary last year, I mentioned two of the most valuable contributions the United Nations has made to the Asia-Pacific region. One was its role in the Cambodia peace process. The other was ESCAP and its role in fostering a better quality of life for the people of the region. Indeed, ESCAP has over the years helped the region fulfill its basic needs as well as provided guidance to member countries in their quest for development.

Today the Asia-Pacific region, which represents almost 60 percent of the world's population, has set new records in economic growth and performance. Over the past decade, our trade and economic co-operation, both bilateral and multilateral, have also developed and expanded tremendously and show every sign of continuing well into the next century.

Despite our successes, however, great disparities still exist in the levels of economic development among the countries of the region. Poverty remains a key issue that needs to be tackled at both the domestic and international levels. The theme topic for this Commission Session, “Rural Poverty Alleviation and Sustainable Development in Asia and the Pacific,” is therefore highly relevant to the global plan of action set forth by the United Nations, particularly by the World Summit on Social Development held in Copenhagen early last year. The subject of the Summit remains high on the agenda of developing countries and, given its complexity, still awaits a solution.

Thailand's experience may be taken as a case in point. For the past three decades, we have sustained high

levels of economic growth, putting the country in a strong and stable financial and economic situation. This economic development has enabled the government to help alleviate poverty and improve, to a certain extent, the quality of life of its people. Development, however, has also produced unintended consequences, including numerous social and environmental problems that have since degraded the quality of life in our society. These problems include a widening gap in income distribution, depletion of natural resources and deterioration of the environment, as well as youth and social problems.

For the above reasons, our Eighth National Economic and Social Development Plan (1997-2001) is aimed at solving these problems by emphasising human resource development, education and training, and taking into consideration the cost of economic development in terms of natural resources and the environment. Indeed, successive governments have always attempted to tackle the complicated tasks of alleviating poverty and preserving the environment. Over the decades, His Majesty the King has also made immeasurable contributions to our national development and the welfare of the Thai people through the Royal Development Projects which began in 1952 and continue to this very day.

Mr. Chairman, Mr. Executive Secretary, Distinguished Delegates, Ladies and Gentlemen,

ESCAP has contributed greatly towards the planning of the region's economic and social development. The Thai Government has therefore always attached importance to the Commission's work and stands ready to support its activities for the mutual benefit of the people of Asia and the Pacific. We recognise that the fiscal situation of ESCAP has steadily declined, while at the same time demands for assistance from developing countries have been on the rise. Thailand is, therefore, doing its part by co-operating with others in providing economic and technical co-operation to nearby developing countries to enhance their development and existing economic complementarities. Thailand has also been working with international organisations and other countries to support regional projects that not only benefit our neighbours but also promote regional co-operation, such as the development of the Mekong Basin and the connection of Southeast Asia's land transportation routes.

It is my earnest hope that this Meeting will generate new ideas on these pressing topics to help guide national policies and the direction of co-operation among the member countries of ESCAP in their endeavours to alleviate rural poverty and to achieve sustainable development. I wish all of you success in your deliberations, so that together we may fulfill our common aspirations

for an Asia-Pacific that is richer, not only in terms of material progress, but in the legacy we leave behind for future generations.

I now declare open the Fifty-Second Session of the United Nations Economic and Social Commission for Asia and the Pacific.

ESCAP Meeting Discusses Financial Problems, UN Reforms

BK2504054496 Bangkok BANGKOK POST in English 25 Apr 96 p 4

[Report by Anurat Maniphan: "ESCAP Reform Needs Money, But Washington Is Not Paying"]

[FBIS Transcribed Text] If the chairperson from the Philippines had not injected occasional light relief, the 52nd session of the Economic and Social Commission for Asia and Pacific (ESCAP) might have wound up on a sorry note for some weary delegates.

For a moment yesterday afternoon, during a final combing through of the draft report, the chairperson's urging for comments from the floor, and the sound of the gavel, that she sounded as none came, were the only signs of life in the conference hall.

Tongue-in-cheek, Mrs Lina Ligo the Philippines Secretary of State for Social Welfare and Development suggested that delegates may not have had time to read the draft.

She expressed open relief when a delegate from Bangladesh broke the silence, setting a train of other comments from participants speaking for the United States, Thailand and Vietnam.

ESCAP's 52nd session took place under pressure from the United States for the UN's regional body to reform, do more, and talk less.

ESCAP'S Executive Secretary, Adrianus Mooy, emphasised in an interview on Tuesday that reform needs money, and pointed to the fact that the US was the largest debtor to the United Nations.

"In spite of the UN's financial crisis, countries still wanted to avail itself of ESCAP's services," a press statement released yesterday afternoon pointed out.

The 59-strong intergovernmental body won pledges of support from member countries amounting to a total of US\$17.45 million for this year's work programme, regional institutions and technical cooperation projects. The pledges marked a 27 percent on last year.

Japan remained the largest bilateral donor, with a contribution of \$5.73 million, followed by the Netherlands with \$2.04 million. Australia, Finland, France, Ger-

many, New Zealand, and Sweden were identified as other main donors.

The session focused on poverty alleviation and social ills in the region. It ended with several "practical" initiatives, said the press statement released by the United Nations Information Services (UNIS).

These included a proposal for more collateral-free but non-subsidised credit for rural poor, and a Trade Facilitation Information Exchange on the Internet that Prime Minister Banhan Sinlapa-acha inaugurated on April 22.

The session also looked at plans for Intra-Asia and Asia-Europe land bridges to boost international trade and tourism. ESCAP was asked to provide "full support" for the "earliest implementation" of a plan to complete the Asian Highway and the Trans-Asian Railway networks, including Asia-Europe links.

Otherwise, the session agreed to endorse Turkey's application to become a full member of ESCAP—a move subject to final approval by the United Nations Economic and Social Council (ECOSOC).

Hong Kong is to continue as an associate member of ESCAP after July 1, 1997—when China takes over—under the name "Hong Kong China."

Taiwan, which China considers a rebel province, is not a member of ESCAP (as was misreported on April 23).

China, which hosted the first meeting in 1947 of what was then known as the Economic Commission for Asia and the Far East (ECAFE), has offered Shanghai as the venue of a symposium marking ESCAP's 50th anniversary in 1997.

"Development challenges and opportunities for Asia and the Pacific in the 21st century and the role of ESCAP" is the theme of the three-day symposium.

France joined the chorus for ESCAP to economise. In a speech delivered on April 23, French Ambassador Gerard Coste noted that ESCAP represents three percent of the United Nations' administrative budget.

The call for ESCAP to "economise" by six percent is "not negligible". But France hoped that the cuts would be selective and in keeping with "comparative advantages."

The focus on poverty struck a chord among many observers in Thailand, whose government only recently dispersed a long demonstration by poor rural farmers and urban workers.

Thailand is among the richer nations of the ESCAP region. But its growing wealth is estimated to have

widened rather than narrowed the income gap between the rich and poor.

Officials Speak at World Trade Congress in Singapore

BK2404124096 Singapore Radio Corporation of Singapore in English 1000 GMT 24 Apr 96

[FBIS Transcribed Text] The World Trade Congress opened in Singapore today with calls and proposals to free global trade. Delivering the keynote speech was Prime Minister Goh Chok Tong. He told delegates that regional trading arrangements are not a threat to World Trade Organization; rather, they are part of the global trade landscape.

Wong Soo How reports:

[Begin recording] [Wong] The growing number of regional trading arrangements such as APEC and the EU have raised fears that they may become inward-looking. Observers think that a trade war could erupt if these groupings put up protectionist measures and defeat the goal of global free trade. However, Mr. Goh thinks these regional initiatives are the building blocks of the world trade infrastructure. He added that they are natural outgrowth of the inherent limitations of the World Trade Organization:

[Goh] But fear of liberalization within the WTO is inevitably constrained by the diverse interests and large membership. Regional arrangements, in contrast, are more liberal. They ought to be able to embrace more innovative protection. Regional trading arrangements can hence move at a faster pace.

[Wong] Rather than view these groupings as a threat, Mr. Goh advised the World Trade Organization to adapt and keep pace with them:

[Goh] Regional trading arrangements are catalysts for change. They are the laboratories of global trading system undertaking experiments in controlled regional environment. This experiment would check the limits of trade liberalization and pave the way for further global economic integration. The outcome of these regional ventures can then form the basis for discussions. However, in negotiations within the WTO at a future date the WTO should view regional initiatives as markers, or leading indicators of cheaper goods.

[Wong] Mr. Goh also told the congress that Singapore will make an improved offer at the current Geneva negotiations on telecommunications services. TAS [Telecommunication Authority of Singapore] said it will open its basic telecommunication services market five years ahead of schedule instead of the year 2007.

European trade commissioner Sir Leon Brittan welcomed the offer:

[Brittan] What is at stake here is to search for the opportunity to advance economic growth and also, of course, the credibility of the WTO would be greatly enhanced by reaching agreement.

[Wong] Sir Leon said he hopes the offer will also act as a catalyst and that it could be followed by similar offers by countries in the region like Malaysia and Indonesia.

Also speaking at the congress was WTO Director General Renato Ruggiero. He said regionalism and multilateralism must finally converge. As such, he said, the major challenge to the multilateral system is to ensure that national trade barriers are not just replaced by regional ones.

Liza De Cruz with more:

[De Cruz] Mr. Ruggiero noted that there are more than 100 regional groupings in the world. He believed that, given the trend towards regionalism, the world is faced with a critical choice:

[Ruggiero] In the first case would be division of the trading world into two or three intercontinental preferential areas, each with free trade inside the area, but with external barriers among the blocs.

[De Cruz] This would affect world economic and political equilibrium and, more seriously, leave out countries like China and Russia. Alternatively, Mr. Ruggiero said, the major regional groups could work to eliminate internal and external barriers:

[Ruggiero] At the end we would have the world global free market with rules internationally agreed and applied to all. In such a world there could and must be a place for China, Russia, and all the other candidates to WTO. Achieving a genuine rule for free trade areas would make a tremendous contribution to promoting growth; to ensuring a safer world. [end recording]

Achieving global free trade was the focus of Dr. Fred Bergsten, director of the Institute for International Economics in the U.S. He said WTO should aim to break down trade barriers by the year 2010. He also suggested the WTO ministerial conference in December appoint an independent advisory committee to develop this vision and strategy.

Chairman of the Pacific Economic Cooperation Council Ricardo Bomingo spoke on what the WTO should focus on. He said the organization should follow to large extent the needs of the business community. It should consider steps to improve the environment for businesses. Mr. Bomingo said the WTO should also

ensure that foreign direct investments continue to fuel growth around the world.

Some 750 cabinet ministers, academics, and members of the international business community are attending the two-day congress, which ends tomorrow.

Japan

Japan: Fuji's Report to USTR Rebuts Kodak Investigation Request

OW2504003796 Tokyo KYODO in English
0002 GMT 24 Apr 96

[FBIS Transcribed Text] Washington, April 24 KYODO — A former U.S. Justice Department official and several other U.S. experts have found that Eastman Kodak Co.'s claims about Japan's photographic film market are too weak to justify a U.S. antitrust investigation, Japan's Fuji Photo Film Co. said Wednesday [24 April].

Fuji submitted the finding in an 81-page report Wednesday to the office of the U.S. Trade Representative (USTR).

The report was prepared by former Assistant Attorney General for Antitrust Donald Baker and two of his colleagues at a law firm, Baker and Miller PLLC, and it includes letters endorsing the findings of two other experts — Ernest Gellhorn, professor of law at George Mason University, and Molly Boast, an antitrust lawyer with experience in handling similar cases before the Supreme Court.

"Our conclusion, based on the Kodak and Fuji submissions through March 1, 1996, is that Kodak has not presented a prima facie case that would justify initiation of a full (Justice) Department investigation," the report said.

It said the judgment was made "even after giving Kodak the benefit of the doubt on many hotly contested factual issues."

This is largely because further pursuit of Kodak's allegations "seems unlikely to result in proof" that Fuji and other parties have engaged in anticompetitive conduct likely to have a "direct, substantial, and reasonably foreseeable" effect on U.S. exports as determined by the U.S. antitrust law, the report said.

On photographic paper, the report brushed off Kodak's allegations that Fuji's "vertical integration" into the photo finishing creates a "captive market" for its color paper and precludes Kodak from the paper market.

"Fuji's substantial vertical integration into photo finishing in Japan parallels Kodak's integration in the United States," the report said. "It would be unprecedented and inappropriate for the department to seek to break up such ownership arrangements in Japan, having tolerated them in the United States."

The report also questions Kodak's reluctance to take the issue to Japan's Fair Trade Commission (FTC) as an antitrust case, saying this "would clearly weigh against

the department undertaking an investigation or bringing a case."

The report also said Kodak's high market shares and practices in the U.S. would be relevant to antitrust analysis at home. "It would clearly be inappropriate, as a matter of comity, for the department to prosecute Fuji... [ellipses as received] For practices that it — or the U.S. courts — had tolerated on the part of Kodak in the United States."

The two companies have been filing documents with the USTR to counter each other's claims since Kodak lodged a petition with the trade office, complaining of anticompetitive practices by Fuji in collaboration with the Japanese Government to block foreign products.

Under the petition, the USTR launched a year-long investigation last July into Japan's photographic film and paper market under the section 301 provision of the 1974 trade law that involves possible sanctions.

The Japanese Government has rejected the USTR's call for government-level consultations over the issue, urging the U.S. side to take the case to the FTC because there are no government-erected barriers in the film and paper market.

Japan: Sobe Landowner, Government Fail To Reach Accord on Access

OW2404133596 Tokyo KYODO in English
1322 GMT 24 Apr 96

[FBIS Transcribed Text] Naha, Japan, April 24 KYODO — An Okinawa landowner and the central government in court-mediated negotiations failed to reach agreement Wednesday [24 April] over the landowner's demand to enter his property located within land occupied by a U.S. military facility.

In a closed-door negotiating session at the Naha District Court, Shoichi Chibana, a 47-year-old local grocer, called on the central government to allow him and other people to enter his 236-square-meter plot of land within the grounds occupied by the Sobe Military Communications Facility in Okinawa prefecture, southwestern Japan, his lawyers said.

Before making the demand, Chibana dropped a separate request calling for the return of his plot.

Chibana said he would limit the number of people entering the land to 30 or less on each of two occasions, each lasting two hours, the lawyers said.

Representatives of the central government said they want to consult their colleagues in Tokyo and to postpone the decision until the next meeting at the court, slated to start 5 p.m. Thursday, they said.

The government negotiators said the final decision will be made by Prime Minister Ryutaro Hashimoto, they said.

Chibana filed a lawsuit with the district court demanding access to and return of the land after a lease on the plot expired at the end of last month.

Chibana said during a third hearing Wednesday that he is prepared to make a compromise by limiting the items he will bring if granted access so as not to cause any trouble at the U.S. facility.

The central government said it may accept a compromise, depending on the conditions, Chibana's lawyers said.

Japan: Hashimoto Concerned Over 'Confusion' on Base Issues

OW2504044696 Tokyo NHK General Television Network in Japanese 0315 GMT 25 Apr 96

[Announcer-read report; from "NHK News" program]

[FBIS Translated Text] This morning, Prime Minister Ryutaro Hashimoto expressed his concern over possible U.S. responses to Japan's confusion in handling U.S. bases-related issues, such as an Okinawa landowner's court claim for entry into Sobe Communications Site following the expiration of the lease contract.

In conversation with reporters, Hashimoto expressed his concern over confusion in the Sobe trial: In the bases reduction efforts at the Special Action Committee on Okinawa, the United States made its maximum offer in consideration for the importance of maintaining the Japan-U.S. security treaty. Now, responses of Japan, including its justice system, are on trial. The United States is becoming irritated with Japan, wondering if Japanese people are really serious about maintenance of the security treaty. I hope this irritation will not grow into distrust.

Commenting on the Sobe trial in the news conference this morning, Chief Cabinet Secretary Seiroku Kajiyama said conditions for allowing the landowner's entry into the communication site should be determined through technical consultations between the Defense Facilities Administration Agency and U.S. Forces as the legal occupant.

Japan: Hashimoto Thanks Public for E-Mail on Meeting With Clinton

OW2404150696 (Internet) Japanese Prime Minister's Official Residence WWW in Japanese 18 Apr 96

[Message by Prime Minister Ryutaro Hashimoto on 18 April; from the "What's New" link]

[FBIS Translated Text] In response to our invitation, a great number of people have sent valuable opinions on the Japan-U.S. summit talks through electronic mail. I could directly feel the people's expectations for the recent summit meeting, and I received many valuable opinions. This encouraged me greatly when I was about to hold the summit talks, feeling a little nervous. I would like to take this opportunity to express my sincere appreciation.

With your help, I was able to hold constructive talks with President Bill Clinton in a friendly atmosphere. I believe that we can pave the way for building new relations between Japan and the United States for the 21st century.

Our nation is now at a major turning point in history, and there are many domestic and diplomatic issues yet to be solved. As I am determined to do my best in tackling these issues, I would like to sincerely ask the people's further understanding and cooperation.

Japan: LDP's Yamasaki Discusses Security Alliance With U.S.

OW2504102096 Tokyo TOKYO SHIMBUN in Japanese 23 Apr 96 Morning Edition p 2

[Interview with Taku Yamasaki, Liberal Democratic Party Policy Affairs Committee chairman, by reporter Yasuyuki Oguri; place and date not given; first paragraph is TOKYO SHIMBUN introduction]

[FBIS Translated Text] The "Japan-U.S. Security Alliance" is changing to "Asia-Pacific Security Alliance." Japan now faces the crucial question of how far Japan should cooperate with the United States if an emergency occurs in the Far East. We interviewed ruling and opposition party officials in charge of policy coordination and experts about the meaning and problems involving the "new security alliance era."

[Oguri] What is your appraisal of "the Japan-U.S. Joint Declaration on Security"?

[Yamasaki] In the post-Cold War era, Japan-U.S. security arrangements have created a longtime controversy. There were some questions about why the security pact is necessary after the collapse of the former USSR. However, a firm basis for peace and security in the Asia-Pacific region has been rebuilt, thanks to the fact that

Japanese and U.S. leaders have confirmed the stand of maintaining the bilateral security arrangements. I think it is an epoch-making event.

[Oguri] Although the national discussion has not been fully conducted, the bilateral security alliance has entered upon a new phase. What do you think of this?

[Yamasaki] To compile domestic opinions is an extremely important task, and it is nothing but a task for the political parties. If they face opposition from the public, governments of the two countries will not be able to proceed with consultations. The ruling parties will do their utmost to obtain people's consent by taking the initiative in discussions.

[Oguri] Please explain your view about the review of the "Guidelines for Japan-U.S. Defense Cooperation" that is about to start.

[Yamasaki] Japan and the United States have agreed to spell out details of defense cooperation in case of emergency in the Far East. They have tacitly agreed to complete a general review by November. To achieve this goal, the ruling parties should start internal discussions after the holidays in early May, so they will reach a conclusion around summer. I believe this will be the big issue at an extraordinary Diet session in autumn."

[Oguri] What kind of points will be reviewed in particular?

[Yamasaki] A gray condition called a "tense situation" could arise, between peacetime and an emergency. For example, the recent China-Taiwan tension was not an emergency, because a war did not break out between them. However, it cannot be said that it was entirely peacetime. What kind of measures Japan can implement under such an "emergency" will be one topic for discussion. I think that extending rear support during a "tense situation" is not a use of the collective self-defense right.

[Oguri] What is your view about rear support in an emergency?

[Yamasaki] The broad principle is that the Self-Defense Forces [SDF] ought not take concerted action with the U.S. forces at the front. Thus, there will be a limit to what the SDF can do. However, Japan will not be allowed to do nothing. For example, we should provide the U.S. forces with food, water, and medical services. I think that refueling lies in the gray area, as it is directly linked to warfare.

[Oguri] Rear support in an emergency has to do with the right of collective defense. Coordination among the ruling parties may be difficult.

[Yamasaki] The bottom line is that discussions will be within the framework of the present constitutional interpretation prohibiting the exercise of the right of collective defense. This is clearly stated in the ruling parties' joint declaration. The LDP will try to widen its scope as much as possible within the bounds (of the constitution), while the SDP will strive to limit its scope to the minimum. I believe coordination will be difficult. However, we cannot possibly tell the United States, which agreed to return the Futenma base, "The Japanese side was not able to come to an agreement; there is nothing we can do." I am sure the SDP also understands this.

[Oguri] A New Frontier Party [NFP] project team came out with the position that "exercising the right of collective defense does not violate the Constitution."

[Yamasaki] I think that is one way of looking at it. Although I feel that eventually a time will come when the constitutional interpretation will be revised, but now is not the time. In any case, the present security issue is a problem of basic policy. The support of the majority of the people is necessary. In that sense, we would also like to reach a consensus with the NFP.

[Oguri] What are the outstanding issues in the full return of the Futenma base?

[Yamasaki] I think the relocation cost is a big issue. The Ministry of Finance says relocation should be covered by the regular defense budget. However, the present defense allocation is already the minimum possible under the National Defense Program Outline decided upon by the government. We cannot make further cuts by including the relocation cost.

Japan: Emergency Study Expected To Include 'Prior Consultations'

OW2504071896 Tokyo YOMIURI SHIMBUN
in Japanese 24 Apr 96 Morning Edition p 1

[FBIS Translated Text] On 23 April, the government decided that in connection with the revision of the "Japan-U.S. Defense Cooperation Guidelines," a study will be made of measures to handle emergencies in the Far East, and that it will also include details and standards about "prior consultations." Prior consultations are required if the U.S. forces plan to deploy troops from the U.S. military bases in Japan to join in combat operations because no clarification has been made of such details and standards. Among other issues to be studied are: 1) Measures for providing support such as provision of additional facilities or areas and the so-called logistical support for the U.S. forces; 2) measures to handle a large number of refugees; 3) measures to protect

and transport the Japanese residing abroad; 4) measures for imposing economic sanctions; and 5) measures for guarding coastal or important facilities and for preventing terrorism as well.

For example, if there is a growing danger of armed conflicts on the Korean peninsula, the Japanese and Americans residing in the ROK will be gathered together at local airports or military bases in the ROK. The government has decided as of 23 April on transporting these refugees to civilian airports in Japan either by U.S. military aircraft or by Self-Defense Forces [SDF] aircraft within a short period of time; and that consultations will start with the U.S. side as early as next month on the issue of transporting refugees to safe places. A joint session of several panels on various defense-related issues under the Liberal Democratic Party [LDP] has turned over a plan for this study as well as topics to be studied to the Defense Agency [DA]. In this way, the government has indicated, for the first time, its intention to study how the prior consultations ought to be implemented.

It is stipulated in the National Defense Program Outline worked out last year that, "Should a situation arise in the areas surrounding Japan, which will have an important influence on national peace and security, appropriate measures will be taken in accordance with the Constitution and relevant laws and regulations." On the basis of this stipulation, the government plans to study what measures can be taken in case of emergencies in the Far East.

Japan and the United States reached an accord on prior consultations in 1960 when (then) Prime Minister Nobusuke Kishi and (then) Secretary of State Herter exchanged a document that stipulates that prior consultations must be conducted "if the U.S. forces intend to make any major changes in its facilities or deployment of its units, or if the U.S. forces intend to use its military bases in Japan as bases for deploying troops to engage in combat operations."

However, the study of this issue has actually been postponed because "it may affect the basis of the Japan-U.S. security arrangement." Since no actual consultations have ever been held so far, this issue was excluded from the study of guidelines in the past.

With regard to the current decision to include the issue of prior consultations in the study, a DA source maintains that "it will now be necessary for the Japanese Government to clarify its standards for deciding whether to approve combat actions of U.S. forces."

It has been decided that due to a lack of standards based on which the Japanese Government can decide

whether to approve the details of the prior consultations as suggested by the U.S. Government, confusion may arise in Japan's handling of the issue. It is observed that the study will probably include those questions as to how the standards for approving prior consultations can be clarified and how a report can be made to the Diet.

Moreover, concerns have been voiced within the Social Democratic Party [SDP] over the possibility that, if an emergency should take place in the Far East, the SDF will inevitably be involved in U.S. military operations. Therefore, the decision may also aim at indicating that prior consultations will serve as a "braking device."

Moreover, when tension became intensified on the Korean peninsula in connection with the issue of nuclear arms development by the DPRK (North Korea) in 1994, the Japanese and U.S. Governments held informal talks on the issue of transportation of Japanese and Americans in case of an emergency there. The two governments reached an accord on how to transport refugees.

In such cases, "The U.S. forces cannot afford to engage in refugee transportation because they will focus on transporting personnel as well as materials used to support combat operations," (as stated by a DA source). Moreover, another point at issue lies in the fact that "it will be difficult to gather all the Japanese residing in the ROK to one place in time of confusion," (as stated by a source at the Ministry of Foreign Affairs).

Therefore, it has been decided that the SDF will be able to transport about 4,400 people at one time by putting into full operation two planes for governmental use and 55 transport planes belonging to the Air Self-Defense Force [ASDF].

Japan: MOFA Spokesman on Nuclear Summit, Other Topics

OW2404111396 (Internet) Japanese Ministry of Foreign Affairs [MOFA] WWW in English 23 Apr 96

[News conference by Japanese Foreign Ministry Spokesman Hiroshi Hashimoto with unidentified reporters on 23 April from the "What's New" link]

[FBIS Transcribed Text] [Topics of Discussion] I. Contributions by the Asia Fund for Women to former Comfort Women II. Speculation regarding a visit to the Republic of Korea in May by Prime Minister Ryutaro Hashimoto III. Discussions at the Moscow Nuclear Safety Summit relating to Korean Peninsula matters IV. Discussions at the Moscow Nuclear Safety Summit relating to Russian troop levels in the Northern Territories V. Discussions at the Moscow Nuclear Safety Summit relating to Russian dumping of nuclear waste in the Sea

of Japan VI. Discussions at the Moscow Nuclear Safety Summit relating to security matters VII. Possible discussion between the Foreign Ministers of Japan and the Russian Federation relating to the Japan-U.S. Joint Declaration on Security VIII. Japan-Russian Federation bilateral relations IX. Constitutionality of the Japan-U.S. Joint Declaration on Security X. The realignment, relocation, and downsizing of U.S. bases in Japan XI. The Moscow Nuclear Safety Summit and possible related summits in the future XII. Status of contacts between Japan and North Korea on normalization of relations

I. Contributions by the Asia Fund for Women to former Comfort Women

Foreign Ministry Spokesman Hiroshi Hashimoto: Good afternoon ladies and gentlemen. There has been some speculation in the media on this issue. The speculation is that the Government of Japan has recently decided to contribute 2 million yen each to the former Comfort Women. I do not think this reflects reality. First of all, the donation itself is now handled by a civil organization called the Asia Fund for Women. The Asia Fund for Women itself will eventually decide the amount of the contribution, and the timing of distributing donations. However, the Asia Fund for Women has not yet decided the amount and has not yet decided the timing. At the same time, the collection and distribution of the donations is not handled by the Government itself.

That is the announcement that I wanted to make, and I will be delighted to respond to any questions that you might have.

II. Speculation regarding a visit to the Republic of Korea in May by Prime Minister Ryutaro Hashimoto

Q: I would like to ask whether there is a plan for a summit between President Kim Yong-sam and Prime Minister Hashimoto? I ask you this question, because there is a lot of speculation in the Korean press that there will be a summit during Golden Week.

A: On 2 March, Prime Minister Ryutaro Hashimoto and President Kim Yong-sam of the Republic of Korea met in Bangkok. At that time, President Kim Yong-sam extended an invitation to Prime Minister Hashimoto to visit the Republic of Korea, and Prime Minister Hashimoto expressed his gratitude for this. What you said about a possible visit by Prime Minister Hashimoto to the Republic of Korea in the beginning of May is just speculation. Prime Minister Hashimoto is not scheduled to visit the Republic of Korea during the so-called Golden Week. So, as far as the concrete timing is concerned, nothing has been said.

Q: According to a MAINICHI SHIMBUN interview with Korean Ambassador to Japan Kim Tae-chi, Mr. Kim Tae-chi said that he is looking in a forward way to this kind of summit. Even though no place and time has been set, are there any closed sessions going on to bring it about?

A: I have not heard anything concrete yet. Of course, Prime Minister Hashimoto accepted the invitation from President Kim Yong-sam to visit the Republic of Korea with gratitude, but still the timing, and so on, will have to be discussed through diplomatic channels.

III. Discussions at the Moscow Nuclear Safety Summit relating to Korean Peninsula matters

Q: You have accompanied Prime Minister Hashimoto to Russia. I would like to know as to whether the Prime Minister has talked about the four-way talks on bringing peace to the Korean Peninsula with President Yeltsin, and how President Yeltsin commented. Did President Yeltsin bring up the six-way talks which Russia has suggested before four-way talks?

A: I accompanied Prime Minister Hashimoto this time. I remember very well that President Boris Yeltsin of the Russian Federation touched on the situations of the Korean Peninsula. He said that there is a perception among some parties that the Armistice Treaty has become obsolete, and this complicates the situations on the Korean Peninsula. He said that the countries concerned should try to reach out to the Republic of Korea and North Korea — something like this. And, Prime Minister Hashimoto also touched on this subject, and he pointed out that the four-party proposal was recently made during the discussions between President William Clinton of the United States of America and President Kim Yong-sam. Prime Minister Hashimoto expressed the policy of the Government of Japan to support this idea. Although Prime Minister Hashimoto is not sure whether North Korea will accept this idea or not, he hoped that North Korea will eventually accept this. As far as I understand, President Yeltsin himself did not respond to this idea directly. At the same time, President Yeltsin did not directly talk about the six-party meeting either. This is the content of the conversations on the Korean Peninsula between the two people.

IV. Discussions at the Moscow Nuclear Safety Summit relating to Russian troop levels in the Northern Territories

Q: Did Prime Minister Hashimoto and President Yeltsin talk about the Russian troops situation in the Northern Territory?

A: Yes.

Q: Could you comment on the talks, and I wonder whether the Japanese Government is satisfied with the situation — on the issue of troop deployment?

A: President Yeltsin talked about the number of troops there. He said that the troops in the Northern Territories have been reduced to 3,500. Prime Minister Hashimoto appreciated this. But, they did not talk in further detail about the military situation in the Northern Territories.

V. Discussions at the Moscow Nuclear Safety Summit relating to Russian dumping of nuclear waste in the Sea of Japan

Q: I understand that President Yeltsin promised again that Russia will not dump nuclear waste in the Sea of Japan. This sounds to be rather awkward, because he has promised the same thing some time ago. What is the point? What is the Japanese comment on this?

A: Several years ago, the Russian side dumped low-level nuclear waste in the Sea of Japan. The Japanese people were very much concerned about this. After that, the Government of Japan requested the Russian Government not to repeat the dumping. At the same time, for very practical reasons, the Japanese side negotiated with the Russian side to establish a storage and treatment facility for the nuclear waste. Recently, sometime at the end of last year, the Government of Japan and the Government of the Russian Federation reached an agreement, and according to this agreement, now the Government of Japan is going to construct the facility. In the meantime, the Russian side indicated that it would not dump in the future. But, unless the Russian Federation decided to accede to the Amendment to the London Convention, we could not be sure of Russian dumping in the future. This time, prior to the Moscow Nuclear Safety Summit, President Yeltsin and Prime Minister Hashimoto met. During the meeting, President Yeltsin formally stated that the Russian Federation will accede to the Amendment to the London Convention this year. Prime Minister Hashimoto was grateful for this, and he said that this was a superb present for the Government of Japan. So, now we know that the Russian Federation will eventually participate fully in the Amendment, and the Russian Federation will eventually assure us formally on the Convention itself, and on the reality that it will not dump in the Sea of Japan.

VI. Discussions at the Moscow Nuclear Safety Summit relating to security matters

Q: I understand that the Director-General of the Japan Defense Agency is visiting the Russian Federation from this weekend.

A: Between 27-29 April.

Q: Not this weekend. But, what is the focus of this visit, particularly in light of this taking place very shortly after the Nuclear Safety Summit?

A: The Government of Japan wants to enlarge its relationship with Russia in both political and economic fields. When Minister for Foreign Affairs Yukihiko Ikeda went to Moscow the other day and talked to his counterpart, Minister of Foreign Affairs Evgenii Maksimovich Primakov, he in fact proposed this. He said that there has been a dialogue on security at the officials level, but he proposed to upgrade it to the ministerial level. The intention is related to Japan's desires to expand its relationship with Russia. At the same time, Russia is a big power in the Asia-Pacific region; Russia is participating in the ASEAN Regional Forum (ARF). It is very important for the two countries, Japan and the Russian Federation, to upgrade policy dialogue on the security matter. And, this time, Prime Minister Hashimoto, talked to President Yeltsin directly on this subject, and President Yeltsin accepted this proposal. Now, Director-General of the Defense Agency Hideo Usui intends to visit Moscow between 27-29 April.

VII. Possible discussion between the Foreign Ministers of Japan and the Russian Federation relating to the Japan-U.S. Joint Declaration on Security

Q: Is Mr. Usui supposed to make any kind of explanations concerning the Joint Declaration which was signed during the visit by President Clinton?

A: I think so. Both gentlemen can touch freely on the various subjects which the two sides are interested in. Especially after President Clinton's visit, we have already started to explain the essence of the visit and the importance of the document to various countries. I am sure that Director-General of the Defense Agency Usui will be in a position to explain this to his counterpart in Moscow. Although you have not asked me, making use of this opportunity, I would like to explain that the importance of the Japan-U.S. Alliance has been reaffirmed by the Joint Declaration, and we consider the Japan-U.S. Security Treaty as the cornerstone or linchpin of peace and stability in the Asia-Pacific region. None of the countries treat specific countries as a possible threat to Japan. Especially, in this Japan-U.S. Security Declaration, there is a phrase concerning Russia. The document says that, "Russia's ongoing process of reform contributes to regional and global stability, and merits continued encouragement and cooperations." The Leaders also stated — meaning President Clinton and Prime Minister Hashimoto — that, "Full normalization of Japan-Russian relations,

based on the Tokyo Declaration, is important to peace and stability in the Asia-Pacific region."

VIII. Japan-Russian Federation bilateral relations

Q: I think that this kind of visit is something we can call extraordinary, because there never has been bilateral relations before. I mean not with Russia, but only with the former Soviet Union. So, is it mainly a first get-together, or are any kind of specific issues going to be discussed?

A: As I said, policy dialogue on security has already been going on official levels. So, we have already been accustomed to exchanging views on security. We are now going to upgrade the dialogue. Of course, that kind of dialogue could not be envisaged during the Cold War era. The fact that Director-General of the Defense Agency Usui is now going to Moscow to hold talks with his counterpart clearly illustrates the end of the Cold War. Japan wants to establish and develop a constructive relationship with the Russian Federation.

IX. Constitutionality of the Japan-U.S. Joint Declaration on Security

Q: Is there a contradiction between the Joint Declaration and the section on it in the Constitution?

A: I do not think so. This Joint Declaration has not altered any legal structure of the present Japan-U.S. Security Treaty. I do not think it will violate, whatsoever, the present Constitution.

Q: Isn't there a problem with Section 9 in the sense that if Japan wants to take joint action with the United States in a broad theater, in the Asia-Pacific region, that won't it be prevented from doing this by Section 9?

A: You may recall Article VI of the Japan-U.S. Security Treaty, and you may recall the existence of Japan's Defense Outline. However, up until now, we have not yet completed a joint study on the Japan-U.S. defense cooperations under these two, so the Government of Japan is going to study it, and sometime later, together with the United States. The Government's intention is to do this within the framework of the Constitution. So far, we have not yet studied fully what we can do under the present Constitution.

Q: So, it is still possible that you may be restrained under the

A: Yes, I think so. I am not sure whether this is the right word — "restraint." But, in any case, under the present Constitution, the Government of Japan is going to study what it should do in the field of Japan-U.S. defense cooperation. However, we have not yet studied under what mechanism, first of all, the Government of

Japan is going to study, and what sort of subjects should be picked up, and so on. So, the terms of reference and mechanisms, first of all, will have to be decided, but so far, that has not been settled yet.

Q: During the Vietnam War, American B-52s used Okinawa as a base to bomb North Vietnam. Was that done under the context of the Constitution? Was it a Constitutional issue at that point?

A: I do not recall whether the B-52s based in Okinawa directly hit the Vietnamese or not, and in which year, and so on. Under the present Japan-U.S. Security Treaty, the Treaty itself defines the area of the Far East, which the United States is interested in from a security aspect. If the United States wants to use its bases in Japan for maintaining peace in that area, the United States is requested to hold prior consultations with the Government of Japan. That is the mechanism of Article VI. But, these prior consultations have not been requested of the United States in the past. I recall that the troops which were stationed in the U.S. bases in Japan went to the Gulf War. But at that time, the Government of Japan interpreted that those troops did not directly hit the enemy in that area from U.S. bases in Japan. They moved the troops in that area, and in that area the battles took place.

Q: Is it fair to say that Prime Minister Hashimoto believes that the Constitution shouldn't be changed, that it should remain as it is now in regards to Japanese forces going overseas — that he believes that there's scope within it for a broader role to be played? Is that a fair summary of his position?

A: What we would like to stress here is that even under the present Constitution, we have not fully studied what we can do in the field of defense cooperation between Japan and the United States. In concrete terms, the Government of Japan intends to do so. But, after the end of the study, I do not know whether, for example, New Frontier Party (NFP), the opposition party, will be satisfied with the study, or as NFP Chairman Ichiro Ozawa and other NFP leaders every now and then hint, if NFP will demand the Government to go farther. I do not think the Government of Japan intends to do so. Although the first Defense Outline was established a long time ago, unfortunately the Government of Japan failed to study this defense cooperation before it issued the new defense outline. So, it is appropriate and high time for it to do so.

X. The realignment, relocation, and downsizing of U.S. bases in Japan

Q: The relocation of American bases from Okinawa has become a big issue. Is there any possibility of some U.S. bases over there being relocated to Hokkaido?

A: I do not recall the detail of the plan for the relocation and realignment of U.S. bases in Okinawa, except that some facilities are going to move to Iwakuni. There is one case in Okinawa — an artillery exercise training site. Except in emergency situations, the United States is not going to use that field in Okinawa. They will use some other places in Japan, instead. I do not remember if any artillery range in Okinawa will be used for that purpose or not. In any case, I can say that by the end of November, both the governments of Japan and the United States will have to finalize the concrete program for the relocations, reductions, and realignment of Okinawa bases. So, in due course, you will know exactly what we are going to do.

XI. The Moscow Nuclear Safety Summit and possible related summits in the future

Q: You already mentioned previously the Moscow Summit on Nuclear Safety. Can you give us a general assessment on what the Japanese Government thinks? Was it a successful one, or in what particular areas was it successful? What are the areas in which they wanted to reach agreement, and where they managed to do so?

A: Are you talking about the Nuclear Summit itself?

Q: The G-8 or G-7.

A: Of course, the Government of Japan, together with the Japanese people, were very much satisfied by the announcement of President Yeltsin to accede to the Amendment to the London Convention. Apart from that, the G-7 and the Russian Federation issued the statement on the Comprehensive Nuclear Test Ban Treaty (CTBT). Up until then, we were not very much sure about the position of the Russian Federation on this. Now, the Russian side has agreed to the so-called zero yield, so now is the time for us to ask the People's Republic of China to agree with us on this. In this sense, the Government of Japan is very much satisfied with the Moscow Nuclear Safety Summit. And, the G-7 already agreed with Ukraine to close the Chernobyl nuclear reactor by the year 2000. Once again, it has been reconfirmed, and we are satisfied with this. The Moscow Summit urged the relevant countries to sign the Convention on Nuclear Safety. And, jointly, the G-7 and Moscow appealed to the importance of this convention. I think the Government of Japan is very happy about the Summit itself, and Japan wants to follow-up the Meeting, including Japan's proposal to

hold a conference on nuclear safety in Tokyo sometime this year. We intend to invite Asian countries which have already developed civil nuclear reactors, and which intend to develop civil reactors, to join us and talk about that. At the same time, the G-7 countries and Russia are welcome to participate in this seminar as observers.

Q: Can you give us the names of the exact countries which might go to the summit?

A: We have not yet worked out concrete plans. We just have in mind countries in Asia. In due course the Government of Japan will decide and publicize it.

Q: You have mentioned that Japan wants to invite Asian countries which have already developed civil nuclear energy, or intend to develop it. Does North Korea qualify for this definition?

A: We have not decided whether we will ask North Korea to come to this conference yet, but we will study it.

Q: What about Pakistan, for example?

A: We do not know whether we should include the countries in South Asia or not. Again, we have to think about it. Basically, we have in mind that the countries in East Asia, such as China, the Republic of Korea, the Republic of Indonesia, the Socialist Republic of Vietnam, the Kingdom of Thailand, and so on.

XII. Status of contacts between Japan and North Korea on normalization of relations

Q: Can you say what the status is of Japan's talks with North Korea on normalization are at the moment? They were called off recently, weren't they?

A: We continue to contact the North Korean authorities on this issue, but we are still not in a position to know when we can start the next round of normalization talks.

Q: Can you confirm some press reports suggesting that Prime Minister Hashimoto sent a letter to Kim Yong-sam?

A: The relationship between Japan and the Republic of Korea is so close that very often the leaders exchange letters or telephone calls. So, I do not know which one you have in mind. But, in any case, if it was a private letter, the Government does not publicize the contents of the letter. Thank you very much.

Japan: Tokyo, Seoul Agree on Three-Way Security Ties With U.S.

*OW2404131496 Tokyo KYODO in English
1206 GMT 24 Apr 96*

[FBIS Transcribed Text] Seoul, April 24 KYODO — South Korean Defense Minister Yi Yang-ho agreed

with a Japanese ruling coalition mission Wednesday [24 April] on the need for security collaboration among his country, Japan and the United States to maintain peace on the Korean peninsula, mission members said.

They said both sides agreed on the need to take action in step with the framework for the Japan-U.S. and South Korea-U.S. security pacts for peace and stability on the peninsula.

Turning to the North Korean nuclear issue, Yi said he believes the issue was resolved with a U.S.-North Korean nuclear agreement in October 1994, under which Pyongyang agreed to freeze its nuclear program on condition it is given two western-style nuclear power reactors, they said.

But Yi said a more difficult issue will be reaching an agreement between Washington and Pyongyang on a North Korean missile project for which negotiations began recently in Berlin, they said.

Yi agreed with a proposal to promote exchanges between the South Korean Navy and Japan's Maritime Self-Defense Force, they said.

The coalition mission, led by Taku Yamasaki, chairman of the Liberal Democratic Party's Policy Affairs Research Council, arrived in Seoul on Monday for security and territorial talks with President Kim Yong-sam and other South Korean leaders.

Japan: 'Sources' Say SDP Considering Inviting DPRK Delegation in May

*OW2504004396 Tokyo KYODO in English
0035 GMT 25 Apr 96*

[FBIS Transcribed Text] Tokyo, April 25 KYODO — The ruling coalition partner Social Democratic Party (SDP) plans to invite a delegation of North Korea's Workers Party of Korea to Japan in May, possibly to lay the groundwork for the resumption of stalled bilateral normalization talks, SDP sources said Thursday [25 April].

The mission likely to be led by Yi Chong-hyok, vice chairman of North Korea's Asia-Pacific Peace Committee, may hold talks with policy-makers of the three-party ruling coalition, the sources said.

The other two coalition parties are the dominant Liberal Democratic Party (LDP) led by Prime Minister Ryutaro Hashimoto and the LDP splinter group New Party Sakigake [Harbinger] headed by former Finance Minister Masayoshi Takemura.

The invitation was requested by North Korean officials including Kang Chong-hun of the Central Committee of

the Workers Party of Korea, who visited Japan earlier this month, they said.

Yi is an official working under Kim Yong-sun, secretary of the North Korean ruling party. Kim was in charge of the party's negotiations with Japan.

He visited Japan last June as a member of a North Korean delegation to discuss the rice support issue to help alleviate the country's severe food shortage.

The SDP hopes that through the talks with the planned mission, the ruling coalition could seek ways to resume the normalization talks, the sources said.

Tokyo and Pyongyang began normalization talks in early 1991 but dialogue broke down in November 1992 when North Korea rejected Japan's demand for information about a Japanese woman allegedly abducted by North Korean agents.

Japan, which ruled the Korean peninsula from 1910 to 1945, normalized ties with South Korea in 1965 but has no official ties with the communist north.

Japan: Hashimoto Approves SDP Plan for DPRK Delegation Visit

*OW2504131396 Tokyo KYODO in English
1308 GMT 25 Apr 96*

[FBIS Transcribed Text] Tokyo, April 25 KYODO — Prime Minister Ryutaro Hashimoto endorsed Thursday [25 April] a Social Democratic Party (SDP) plan to invite a North Korean delegation to Japan in May, ruling coalition officials said.

Hashimoto gave the endorsement when Shigeru Ito, chairman of the SDP policy-making board, briefed the premier on the invitation to the Workers Party of Korea, officials of the SDP and Hashimoto's Liberal Democratic Party (LDP) said.

The SDP plans to invite the North Korean mission in the hope of laying the groundwork for the resumption of stalled bilateral normalization talks.

The LDP and SDP form the ruling coalition together with New Party Sakigake [Harbinger].

Ito and his LDP counterpart Taku Yamasaki met Hashimoto to brief him on the results of their visit to South Korea as members of a ruling coalition delegation.

Japan: Tokyo Expects To Begin Fishery Talks With Seoul Soon*OW2404124296 Tokyo KYODO in English
1121 GMT 24 Apr 96*

[FBIS Transcribed Text] Tokyo, April 24 KYODO — Japan expects to begin negotiations with South Korea soon to review the 1965 fishery pact in connection with the U.N. Convention on the Law of the Sea, a high-ranking foreign ministry official said Wednesday [24 April].

"We expect to begin negotiations in the not-too-distant future. The schedule has not been fixed yet, though," said the official, who requested anonymity. "We are optimistic about the outcome of the negotiations."

Tokyo and Seoul have agreed not to link the planned fishery talks to a thorny territorial dispute over a group of islets in the Sea of Japan.

The actual start of negotiations was delayed in part because of Japanese concerns prior to South Korea's general election earlier this month that anger over the territorial dispute might flare up in South Korea.

The U.N. convention, which Tokyo and Seoul are scheduled to ratify later this year, includes application of a 200-nautical-mile exclusive economic zone.

Japan: Taiwan's Li Tells Officials of Desire To Meet PRC Leaders*OW2504081896 Tokyo KYODO in English
0805 GMT 25 Apr 96*

[FBIS Transcribed Text] Tokyo, April 25 KYODO — Taiwan President Li Teng-hui told legislators from the Liberal Democratic Party (LDP) on Thursday [25 April] that he wants to further promote exchange in the private sector between Taiwan and Japan, LDP officials said.

Li made the remark during a meeting with House of Representatives members Shinji Sato and Takeo Hiranuma, who are part of an LDP mission to Taiwan, the officials said.

Li was quoted as saying he would like to ease tensions between Taiwan and China peacefully by holding talks with mainland leaders. The relationship between Taiwan and China became tense after China conducted military drills near the Island last month.

He stressed the importance of dialogue in solving the territorial dispute over the Japanese-controlled Senkaku Islands, known in China as Diaoyu and in Taiwan as Taoyutai.

Sato, a former transport minister, told the president that Japan will send a multipartisan group of lawmakers to Li's inauguration ceremony May 20.

Li won a second term as president in the Island's first direct presidential election March 23.

Japan: Fuji Bank Decides To Set Up Office in Nanjing*OW2404132896 Tokyo KYODO in English
1313 GMT 24 Apr 96*

[FBIS Transcribed Text] Tokyo, April 24 KYODO — Fuji Bank said Wednesday [24 April] it will establish a representative office in Nanjing on Friday as its eighth business operation in China.

It will be the first such office set up by a Japanese bank in Nanjing, where the economy is expected to grow rapidly, the bank said.

Nanjing is permitted to have economic autonomy by the Chinese government and is developing by bringing in foreign currency.

Fuji Bank decided to set up the office to cope with an increasing number of Japanese companies expanding in the city, it said.

About 30 Japanese companies have already established units in Nanjing and some electrical machinery makers and automakers are also expected to expand there, the bank said.

The office will offer some advice to Japanese companies planning to expand in the city and seeking business partners to begin with, but Fuji Bank considers upgrading it to a branch in the future, it said.

Fuji Bank has already established three branches in Dalian, Shanghai and Shenzhen, it said.

Japan: PRC Permits Ito-Yokado, Itochu To Open Retail Chain*OW2504003696 Tokyo KYODO in English
0016 GMT 25 Apr 96*

[FBIS Transcribed Text] Tokyo, April 25 KYODO — The Chinese Government has granted Ito-Yokado Co. and Itochu Corp. of Japan its permission to jointly establish a network of shopping malls and retail outlets in China, a business daily reported Thursday [25 April].

The Chinese government summoned the executives of the two Japanese companies to Beijing and informed them of the decision to authorize their request to run such a network in China, the NIHON KEIZAI SHIMBUN said.

The two companies plan to establish a joint venture with a Chinese concern to open three shopping malls in Beijing in 1998, the daily said.

The pair will also consider establishing a network of Ito-Yokado's "Seven-Eleven" convenience stores in China, it said.

The Chinese government also granted them the privilege to import commodities from foreign suppliers for sale in China without going through Chinese middlemen, and also allowing them to export goods, it said.

The Chinese government appears to have authorized a similar request by a large European retailer which is an affiliate of the Metro Group, it said.

The first shopping mall, with an aggregate floor space of 15,000 square meters, to be run by the Japanese pair will be opened in Beijing with an investment of 100 million dollars, it said.

Wal-Mart Stores Inc. of the United States is also planning to open a store in the southern Chinese industrial city of Shenzhen in the province of Guangdong, it added.

Japan: MOF, Hong Kong Monetary Authorities Agree on Liquidity

OW2504070496 Tokyo KYODO in English
0558 GMT 25 Apr 96

[FBIS Transcribed Text] Tokyo, April 25 KYODO — The Ministry of Finance (MOF) has reached an agreement with monetary authorities in Hong Kong to ensure the liquidity of collateral put up against dollar bonds, ministry sources said Thursday [25 April].

A similar accord has also been struck with such countries as Australia, Malaysia and Singapore, said the sources.

Japan: SRV Vice Premier on Economic Ties With Tokyo

OW2404113996 (Internet) Keidanren WWW
in Japanese 11 Apr 96

[From "Keidanren Clip No. 30"]

[FBIS Translated Text] With the Vietnamese Communist Party [VCP] set to convene its Eighth National Congress in June and to act on the 1996-2000 five-year economic plan, among other things, the Japan Federation of Economic Organizations [Keidanren] has invited visiting Vietnamese Deputy Prime Minister Tran Duc Luong for an informal consultative meeting.

Shoichiro Toyoda, Keidanren chairman, and Katsuhiko Utada, Keidanren Board of Councillors vice chairman,

were among those who attended the meeting to hear about progress in formulating the economic plan and the future operation of Vietnam's economy.

The Japan-Vietnam Economic Committee has met three times since its inception in November 1991, and Deputy Prime Minister Luong has attended two of them — the first meeting in Hanoi in February 1993 and the second in Ho Chi Minh City in April 1994.

[Following is a summary of remarks made by Luong at the meeting with Keidanren leaders:]

1. Expanding Japan-Vietnam Economic Relations

Vietnam recognizes the importance of its relations with Japan. The two countries at present have a good relationship in all areas, including the economy and politics. The relationship between the two countries has improved particularly since reciprocal visits of the two countries' leaders — namely Prime Minister Kyet's visit to Japan in March 1993, Prime Minister Murayama's visit to Vietnam in August 1994, and VCP Chief Secretary Muoi's visit to Japan in April 1995.

Interest in and concern for the Vietnamese market on the part of Japanese businesses have grown as well. The Japan-Vietnam Economic Committee discussed Vietnamese economic issues in its three meetings. In February 1995, Keidanren chairman Toyoda came to Vietnam for a visit. The Vietnamese Government very much appreciates these activities of Keidanren.

Vietnam has benefited from the Japanese Government's official development assistance (ODA) programs as well as many direct investments by private Japanese businesses. In terms of direct investment up to the end of 1995, Japan ranked third, after Taiwan and Hong Kong. But to take only one year, 1995, Japan ranked first in terms of both total amount and number of projects. Furthermore, many of the investments from Japan have come in areas essential to the economic development of Vietnam. The Vietnamese Government will continue to make all possible efforts to promote foreign investment in Vietnam.

When Chairman Toyoda came to Vietnam on a visit in February 1995, he brought with him a nine-item request from Keidanren ("Keidanren's Request Relating Visit to Further Development in Economic Exchanges Between Japan and Vietnam," dated 10 February 1995). The Vietnamese Government wants to improve the investment environment as much as possible to answer the Keidanren request. The Vietnamese Government requests in turn that Keidanren continue its concern for and interest in Vietnam.

2. Economic Plan for Five Years to 2000

At its Seventh National Congress in 1991, the VCP decided on a target that would double its gross domestic product (GDP) in the period from 1990 to 2000. Since then, the economy has actually grown at a faster rate than expected, and it is likely the GDP will grow by 2.5 times during that period. The average annual real growth of the GDP from 1991 to 1995 was 8.2 percent. The government is now formulating the 1996-2000 economic plan on the assumption that the GDP will grow by 9 to 10 percent a year.

In the new plan, the government will announce that it will encourage and promote investments more actively than it has so far. Vietnam will need about \$40 billion to finance economic development programs and plans to procure half of the requirement locally — about 20 percent from the government budget and 30 percent from local private-sector investments. The nation is hoping to procure the other half of the requirement from overseas, including assistance from foreign governments, loans from international banking institutions, and direct investments from foreign private enterprises.

The Vietnamese Government recognizes the need to build up the nation's infrastructure and train workers. It will welcome foreign investors by opening up all areas. As far as infrastructure is concerned, the government will put emphasis on projects that can have good effects on the nation's overall economy while enabling investors to recover their investments. The government will invite foreign businesses to invest in Vietnam, suggesting the build-operate-and-transfer (BOT) system as a way of doing it.

Vietnam aims to make its economy market-oriented, by opening up its markets. It will abide by international rules in managing its economy, but it should refrain from unhealthy competition. The Vietnamese Government would appreciate investment projects that will contribute to future economic development of the country, and many ongoing projects are showing good effects in that regard. Repatriation of profits from business will continue to be assured, and investors are reminded that Vietnam promises in its Constitution not to nationalize any foreign property.

The Vietnamese Government is now proceeding with the work of concluding investment protection treaties with governments of other countries, and it plans to conclude one with the Japanese Government soon, too.

3. Vietnamese National Assembly and VCP Congress

The Vietnamese National Assembly met 2-19 March. The primary functions of the National Assembly in the past several years have been to legislate new laws and review government reports on the economy. One of the laws passed in the recent session relates to development of mineral resources. Vietnam has rich underground resources, and the government plans to develop them with the help of foreign capital. In the past several years, emphasis has been put on oil resource development — only because the law on oil resource development was passed first. A major feature of the law on mineral resource development is that it enables private Vietnamese and foreign firms to participate directly in projects to develop underground resources.

A law relating to national budget formulation has also been passed that will allow the government to formulate its revenue and expenditure budgets from now on. The law specifies the government's obligations to the Vietnamese people and draws a clear line between central and local government budgets.

Another law passed relates to agricultural cooperative companies. Vietnam already has a law governing private enterprises as well as one on state-run businesses. Passage of the new law means Vietnam now has all necessary laws concerning economic institutions to form the foundation of the Vietnamese economy.

In reviewing the economy, the National Assembly has mostly discussed measures for preventing inflation and speculation and deliberated on ways of sustaining economic growth. It has also dealt with the question of improving capital markets and the banking system. Among other major topics discussed were government policies on common workers, worker training, and improving the people's living standard. Vietnamese National Assembly members have changed from days past. They now make many requests of the government.

At the Eighth VCP National Congress in June, a keynote will be confirming the policy to push further and promote the Doi Moi line. Another important topic will be concluding ongoing policy programs. Whenever there is a Communist Party congress coming, some people talk about possible generational change in the party leadership, but I do not expect a major change. I think the matter will end up in a way anyone can understand.

Japan: Tokyo Lifts Official Loan Ban on Eastern Europe, Baltics

OW2504110396 Tokyo KYODO in English
1003 GMT 25 Apr 96

[FBIS Transcribed Text] Tokyo, April 25 KYODO — Japan has decided to lift a virtual ban on the extension of official yen loans to Eastern European and Baltic countries, Foreign Ministry officials said Thursday [25 April].

Tokyo to date has provided yen-denominated credits to these countries only for environment-related projects. The extension of low-interest loans to former communist nations has been restricted.

Japan decided, however, to expand its economic aid to the countries because they are struggling to turn themselves into market economies and need Japanese money to improve their infrastructure, the officials said.

Specifically, Japan is considering extending loans to finance projects to improve the capability of a port in Romania and build a sewage disposal plant in Lithuania, the officials said.

With their national income having already reached a certain level, the Czech Republic and Hungary will not be subject to the new Japanese lending policy and can borrow money from Japan only for environment-related projects, they said.

Japan: Trading House Chiefs Urge Foreign Exchange Deregulation

OW2504052096 Tokyo KYODO in English
0410 GMT 25 Apr 96

[FBIS Transcribed Text] Tokyo, April 25 KYODO — Trading house leaders called for trade minister Shumpei Tsukahara on Thursday [25 April] to help deregulate Japan's foreign exchange control system and support private-sector-driven infrastructure projects in Asia, a trade ministry official said.

The requests were filed when executives of the Japan Foreign Trade Council, an industry group of major trading companies, met with International Trade and Industry Minister Tsukahara over breakfast.

Minoru Murofushi, vice president of the council, said that although the foreign exchange and foreign trade law was revised in 1980 to partially liberalize foreign exchange regulations, there are still tighter restrictions in the Japanese market than in the U.S. and European markets, the official said.

A subcommittee of the Council on Foreign Exchange and other transactions, a government advisory panel, worked out an interim report in March calling for an

overhaul of Japan's foreign exchange control system to make it more open to enable the Japanese market to compete with the rival markets.

Murofushi asked the government to implement the panel's recommendations for the market overhaul, the official said.

Tsukahara said the Ministry of International Trade and Industry (MITI) will study what kind of deregulatory steps are possible before the government panel produces a final report in June. The report is likely to give recommendations for further revisions of the law, the official said.

Meanwhile, Murofushi called for public support of private-sector schemes to finance electric power, highway, telecommunications and other infrastructure projects in Asia, the official said.

Tsukahara said the ministry will consider the use of trade insurance and other measures for the purpose, according to the official.

The breakfast session was attended by 21 executives of the industry group, including council president Koichiro Ejiri, and 16 other senior trade ministry officials.

Japan: Automobile Exports Fall 16.7 Percent in FY95

OW2504045296 Tokyo KYODO in English
0445 GMT 25 Apr 96

[FBIS Transcribed Text] Tokyo, April 25 KYODO — Japan's exports of cars, trucks and buses during fiscal 1995 ended in March decreased 16.7 percent from the previous year to 3,623,727 vehicles, posting the fourth straight year of decline, an industry group said Thursday [25 April].

The figure was the lowest since fiscal 1976, the Japan Automobile Manufacturers Association said.

For March alone, exports of such vehicles dropped 20.2 percent from a year earlier to 325,734, it said.

Of the fiscal 1995 total, passenger cars accounted for 2,760,051, down 15.5 percent from year-before levels, the association said.

Exports of trucks fell 18.7 percent to 820,023 and those of buses were down 40.0 percent to 43,653, it said.

By automaker, Toyota Motor Corp. had a 19 percent drop in its exports with 1,166,637 vehicles, Nissan Motor Co. posted a 2.9 percent fall with 593,597 vehicles and Mitsubishi Motors Corp. marked an 11.6 percent decrease with 486,214 vehicles, it said. [sentence as received]

In terms of value, auto exports totaled 79,302.01 million dollars, down 6.5 percent from fiscal 1994. Exports consisted of vehicles worth 51,346.00 million dollars and parts worth 27,956.02 million dollars, it said.

Japan: Crude Oil Imports Drop 3 Percent in FY95

OW2504074096 Tokyo KYODO in English
0714 GMT 25 Apr 96

[FBIS Transcribed Text] Tokyo, April 25 KYODO — Japan's crude oil imports in fiscal 1995 fell 3.0 percent from the previous year to 1,670.18 million barrels, the Ministry of International Trade and Industry (MITI) said Thursday [25 April].

Saudi Arabia supplied 321.29 million barrels, down 3.3 percent, followed by Iran at 145.24 million barrels, down 10.2 percent, and Indonesia at 131.65 million barrels, down 13.3 percent, the ministry said in a preliminary report.

Crude oil processed in fiscal 1995 which ended March 31 totaled 1,524.95 million barrels, down 1.5 percent, posting the first decline in eight years, MITI said.

Output of fuel oil in the year also fell from year-before levels for the first time in eight years, down 0.7 percent to 1,427.89 million barrels, it said.

Imports of fuel oil increased 14.8 percent to 238.01 million barrels, while exports rose 2.2 percent to 110.58 million barrels, according to the ministry.

Domestic sales of fuel oil increased for the second year in a row to a record high of 1,544.38 million barrels, up 2.6 percent, the ministry said.

For March alone, crude oil imports rose 1.0 percent to 163.16 million barrels for the first gain in eight months, it said.

Japan: Nationwide Supermarket Sales Fall in FY95

OW2504064496 Tokyo KYODO in English
0616 GMT 25 Apr 96

[FBIS Transcribed Text] Tokyo, April 25 KYODO — Sales at supermarkets nationwide in Japan fell 0.9 percent in fiscal 1995 from the previous year to 16,174.00 billion yen, posting the fourth straight year of decline, an industry group reported Thursday [25 April].

The Japan Chain Stores Association said sales of household goods, including furniture and home appliances, decreased 0.9 percent in the year through March 31 to 3,577.22 billion yen.

Clothing sales dipped 1.8 percent to 3,567.35 billion yen and food sales also slipped 1.2 percent to 7,517.63 billion yen, it said.

In March alone, sales at 7,727 outlets operated by 133 companies increased from year-earlier levels for the third month in a row, up 2.6 percent to 1,354.11 billion yen, the association said.

Japan: Department Store Sales for FY95 Increase Slightly

OW2504072496 Tokyo KYODO in English
0617 GMT 25 Apr 96

[FBIS Transcribed Text] Tokyo, April 25 KYODO — Sales at department stores across Japan in fiscal 1995 ended March 31 edged up 0.1 percent to 8.7 trillion yen, an industry group said Thursday [25 April].

The Japan Department Stores Association also said March department store sales rose 6.0 percent from a year before to 774.1 billion yen, the sharpest growth since June 1991.

The March figure represents the third consecutive month of year-to-year rises, the association said.

The association attributed the sizable growth in the month to brisk individual purchases and a pickup in large-lot corporate demand.

In March, clothing sales grew smoothly, backed by brisk demand for men's and ladies' items, the association said.

Small personal items like handbags and shoes continued to sell well, while furniture sales climbed further aided by increased corporate orders, it said.

The survey covered 257 outlets of 109 department store companies across Japan.

Japan: Poll Reports Approval of Hashimoto Cabinet Improves

OW2404234396 Tokyo KYODO in English
2336 GMT 24 Apr 96

[FBIS Transcribed Text] Tokyo, April 25 KYODO — The approval rating of the cabinet of Prime Minister Ryutaro Hashimoto improved to 48.4 percent from the 44.8 percent registered in the previous poll in March, a national daily reported Thursday [25 April].

The YOMIURI SHIMBUN said its latest survey also found 36.0 percent of respondents disapproved of the 3-month-old cabinet, down 4.7 percentage points from the previous survey.

The daily said the better marks were attributable to the perception that the cabinet has improved its handling of foreign and international economic policies.

On the two issues, support increased by 6 points, it said.

The findings apparently reflect the public endorsement of recently concluded meetings on Japan-U.S. security arrangements, particularly the April 12 accord on the partial reversion of U.S. military facilities in the southernmost prefecture of Okinawa to Japan, the daily said.

The government scheme to use public funds to liquidate insolvent "jusen" mortgage loan companies, however, continued to draw heavy fire. The scheme topped the "most unfavorable policies" list with a 57 percent disapproval rating, it said.

The Hashimoto cabinet enjoyed a relatively high 56.9 percent approval rating in the paper's poll in January, shortly after it was inaugurated.

The popularity, however, dropped due to an increase in public criticism of the jusen scheme and dimmer prospects for economic recovery, the newspaper said.

The YOMIURI SHIMBUN conducted the latest survey April 20-21, covering 3,000 people, of whom 2,062, or 69 percent responded.

Japan: SDP Postpones Decision To Reorganize as New Party

OW2504115196 Tokyo KYODO in English
1117 GMT 25 Apr 96

[FBIS Transcribed Text] Tokyo, April 25 KYODO — The Social Democratic Party (SDP), one of the three ruling coalition parties, formally decided Thursday [25 April] to wait until the end of the "Golden Week" holidays to make up its mind on whether or not it should relaunch itself as a new party, SDP officials said.

The SDP's standing Executive Council made the decision at a meeting. The party, led by former Prime Minister Tomiichi Murayama, had originally planned to decide on the rationale for a new party by the end of this month.

The decision to wait until the second week of May reflects differences between opponents and supporters of the new party scheme as the possibility recedes of a merger with New Party Sakigake [Harbinger], the smallest component of the ruling coalition, SDP sources said.

Supporters of the new party scheme said they want to set up a new party to compete effectively with the Liberal Democratic Party, its coalition partner, and the largest opposition party Shinshinto (New Frontier Party).

Japan: Article Views Power Struggle Over 'Jusen'

OW2404145796 Tokyo EKONOMISUTO in Japanese
23 Apr 96 pp 48-51

[Article by MAINICHI SHIMBUN political reporter Takao Yamada: "Secret Strife in Nagatacho in the Name of 'Jusen': What is the Secret Scheme of Koichi Kato, A Stag at Bay?"]

[FBIS Translated Text] The focal point of the 'jusen Diet' is no longer the jusen issue. The ruling and opposition parties' framework has long since collapsed. This is a report of the true political strife that goes on both openly and behind the scenes, in anticipation of a new power structure that is expected to emerge after the forthcoming general election.

The political struggle that is currently going on within the Diet has a very complicated character. Frankly speaking, it is a double structure in which ostensibly at issue is the "jusen budget," while in depth, the timing for "the House of Representatives' dissolution" is being contested. While the main contestants of the budget issue are what they call "ruling parties" and "opposition parties," the leading roles in the offense and defense for the Diet's dissolution are played by a new factional force (hereafter termed new factions) formed within every political party. Although the realities of the power struggle among the new factions are more complicated, they can be boldly summarized in that they bear the characteristic struggle between the new and old generations within the ruling and opposition parties across the board. Each group attempts to find out when a general election will be held for the first time under a single-seat constituency with a proportional representation system; paying due consideration to changes in the factional alignment that is expected to take place in the near future. As the days go by, in spite of pipe and tabor when the "jusen Diet" convened, "jusen" gave way to the outspoken political offense and defense maneuvers revolving around the Diet's "dissolution." What gave stimulus to such a situation was whether or not Koichi Kato, Liberal Democratic Party [LDP] secretary general, should be summoned to testify before the Diet in connection with his suspected acceptance of contribution money from a dubious source. Kato is a symbolic figure of the new generation on the side of the ruling parties and a champion in the behind-the-scenes power struggle. And such a figure was spotlighted in the open contest between the ruling and opposition parties, thus directly connecting open and behind-the-scenes struggles. The New Frontier Party [NFP] is expected to continue its demand that the House of Representatives be dissolved. Brought to bay, Kato may move toward the Diet's

dissolution in an attempt to find a way out of the crowning difficulty, and that possibility constitutes the focal point of the current political situation culminated by the demand for a witness summons.

LDP, SDP, New Party Sakigake [Harbinger] versus Conservative-Conservative Alliance

At the end of March, immediately after the NFP ceased its picketing struggle, LDP Secretary General Kato expressed regrets during a MAINICHI SHIMBUN interview and explained the reason why such unprecedented confusion had taken place.

"In the background was everybody's prediction that the outcome of an election conducted under a single-seat constituency system would be a decisive factor in determining the power structure for the following five to 10 years," he said. "That brought about a desperate political struggle and the present situation that no compromises nor approaches could be expected. It symbolizes the seriousness in this period of change."

Kato presented his view in a cautious manner as if ruminating was impressive. Kato went on to say the following: "Was it not the NFP's objective in staging the picketing tactic to compel the coalition to dissolve the Diet by driving it into confusion by taking advantage of the initial popular repulsion against jusen firms? But the outcome of the House of Councilors by-election in Gifu apparently served the purpose of a breakwater and blocked the NFP's strategy of seeking the Diet's dissolution."

Compared to his retrogressive statement from the same interview in which he was asked about the suspected acceptance of contribution money from a controversial source and the question of a witness summons, his explanation about how he thought of the political situation was frank and sincere. (He maintained throughout the interview that he "would accept decisions of the Budget Committee" and that he "would like to withhold remarks for fear of arousing confusion.")

To distinctly observe the political strife, the framework of the existing political parties should not be taken into account. According to the old-style classification, the ruling parties consist of "the coalition of the LDP, the Social Democratic Party [SDP] and New Party Sakigake, but this explanation no longer fits the realities. An easy way to understand this situation is to think that the fence between the three parties has fallen and groups of melted-down dietmen are being reorganized into two new factions.

The first faction consists of LDP executives headed by Secretary General Koichi Kato, and the SDP and New Party Sakigake. The lofty political ideal of this

group is conventional "coordination among the LDP, SDP, and New Party Sakigake." Thus this group can be labelled an "LDP, SDP, New Party Sakigake faction." The LDP leaders in this group are Policy Research Council Chairman Taku Yamasaki, General Council Chairman Masajuro Shiokawa, Shizuka Kamei, head of the organization and public relations headquarters, acting Secretary General Hiromu Nonaka, former Posts and Telecommunications Minister Junichiro Koizumi, and so on. As symbolized by Kato and Yamasaki, it consists mainly of those who advocate an early generational change.

The key person from the second faction is Chief Cabinet Secretary Seiroku Kajiyama. This faction seems to include dietmen of the former Obuchi faction and seasoned members of the various now-defunct factions that had been critical of Secretary General Kato.

In the background are the on and off shadows of former Prime Ministers Yasuhiro Nakasone and Noboru Takeshita, but Takeshita's shadow appears lighter than that of Nakasone's. This group's posture, with reference to Japan's security alliance and economic management, is far different from that of the SDP, and the group supports dissolving the coalition in the future. Because the government cannot be maintained when the coalition is dissolved, this group attempts to join hands with the NFP. This attempt is the so-called "alliance of 'conservatives,'" (hereafter termed the "conservatives faction").

Meanwhile, Prime Minister Ryutaro Hashimoto continues to play the acrobatic role of putting his feet in the two camps.

"Young Men's Revolt" of Hatoyama and Funada

Meanwhile, the NFP can be classified into three new factions. The first faction is "Ozawa's," headed by NFP President Ichiro Ozawa. This faction is made up of young politicians and is headed by Toshihiro Nikai, who used to belong to the former Shinseito, dietmen of the former Democratic Socialist Party headed by Takashi Yonezawa — who is now NFP secretary general, Sadao Hirano — Ozawa's brain, and others. The second faction is joined by former Komeito group led by Takenori Kanzaki; so it can be called the "former Komei faction." The third group is the "Hata faction," centered on former Prime Minister Tsutomu Hata. Formally given the name "Koshikai," this faction is joined by such seasoned former Shinseito politicians as Keiwa Okuda, Hajime Ishii, Koichiro Aino, Kazuo Aichi, former Prime Minister Morihiro Hosokawa, and so forth. The true character of the Hata faction is "anti-Ozawa" and Hajime Funada, a sensational political

prince, belongs to this faction. Sympathizers to this faction seem to include Kunio Hatoyama and Hiroshi Kumagai, who have widened the gap with Ozawa since the NFP came into being; and Yuichi Ichikawa, former NFP Political Affairs Council chairman and, before that, secretary general of the now-defunct Komeito, who bade Ozawa farewell after having enjoyed the honeymoon with Ozawa with the catchphrase "ichi-ichi line."

Although the "ichi-ichi" relationship was transformed from one of cooperation to confrontation, the Ozawa faction and the former Komei faction are, for the present, maintaining a cordial relationship by putting Kanzaki at the front instead of Ichikawa, who withdrew his leadership position in the former Komei faction. Both factions are closely related with "Soka Gakkai," the NFP's most powerful supporting organization. As a result of "opposing Ozawa," "Soka Gakkai" has kept Hata at a respectable distance.

Any faction within the NFP can theoretically be a partner of the LDP's "conservatives faction," which is looking for an "alliance of conservatives." The most realistic way to do this is to unite with the Hata faction, which amounts to a merger of that faction, and the LDP does not see any urgency to seek it. The case of forming a union with the Ozawa faction and the former Komei faction has a strong possibility of inducing the LDP's breakup, which would be an unstable choice. Within the LDP runs persistent undercurrents of "anti-Ozawa" and "anti-Soka Gakkai." The only script that can foresee a union with the Ozawa faction by the LDP as a united entity would involve an emergency in the Far East. In cases of military clashes along the Taiwan Strait or on the Korean peninsula, it is possible that a "nationally united cabinet" could be formed out of the necessity to make instant decisions on providing rear support to the U.S. Armed Forces, using the national security policy as a leverage. Besides that, it is inconceivable that an "alliance of conservatives" could come into being before a general election.

At this juncture, a news report jolted the recent political world to the effect that Yukio Hatoyama, New Party Sakigake secretary general, and Hajime Funada, acting NFP General Council chairman, reached an agreement to form a new political party before a general election. Reverberation spread as another report said that Kunio Hatoyama, younger brother of Yukio Hatoyama, who is close to the Hata faction, was going to join. This phenomenon can be explained by the NFP side in that it is a war between generations within the Hata faction. It was a revolt staged by the younger generation against a situation that was feared to lead to a merger with the LDP by the "anti-Ozawa" faction and centered on seasoned dietmen with Hata at the head. It also

amounted to an ultimatum by Yukio Hatoyama to New Party Sakigake Masayoshi Takemura, who had not been able to work out a prospectus for forming the so-called "third pole" in joining together with both the SDP and New Party Sakigake. It will be interesting if this move develops into the involvement of the "LDP-SDP-New Party Sakigake faction" within the LDP, but it is not expected to explosively spread to win more sympathizers.

Making Compromise on Demand To Summon Kato for Testimony

With this complicated power struggle in the background, the ruling parties and NFP have been at odds at the Diet regarding the new fiscal year budget. The NFP demands the "deletion from the budget of 685 billion yen appropriated to the liquidation of seven failed jusen firms" and the "summoning of Kato as a witness to the Diet," and the ruling parties reject "both of them."

The ruling parties cannot yield to the demand for the "elimination of the jusen budget." The total elimination of the jusen budget would eliminate the political significance attached to the new fiscal year budget.

The parliamentary system of government is not very simple. It is not easy for the cabinet to just scratch its head, come up with an excuse, and then change the framework of the draft budget, which it submitted with "absolute confidence." In this case, a resignation en masse would be a natural consequence, and the opposition parties would naturally argue this point. This issue is not confined to the LDP alone. The SDP and New Party Sakigake would not be left unharmed because the budget was formulated under the leadership of the then Prime Minister Tomiichi Murayama and the then Finance Minister Masayoshi Takemura.

That was why the ruling parties attempted to play petty tricks, which could be taken as an "elimination" of the jusen budget by fully utilizing all the budget account manipulations and parliamentary proceeding procedures. This "laborious work" produced "additional measures" to be guided by the "LDP-SDP-New Party Sakigake faction" or a proposed "freezing" by the LDP's "conservatives faction," both of which received setbacks with such severe criticism as having used "deceptive" or "childish tricks."

It was only natural for the ruling parties, which had been driven into a corner, to seek ways to win a compromise on the issue of summoning Kato. As I wrote before, the LDP was split into two factions and Kato is simply a leader of one faction. It took no time before someone in the LDP voiced the opinion: "It will do no harm to sacrifice Kato." From the SDP, which is supposed to

be Kato's ally, a voice was heard saying "Kato should respond to Diet hearings." The SDP and other opposing parties in 1992, when the SDP was at odds with the LDP, had an experience of questioning Kato about his suspected acceptance of dubious contribution money. Dietmen from the ruling parties who recommended that Kato agree to the summons said in low voice: "Even Nakasone and Takeshita in the past responded to summons as witnesses, and later they succeeded in making their comeback." They went right to the point. Nakasone appeared as a witness regarding the Lockheed and Recruit scandals, and Takeshita regarding the Sagawa Kyubin scandal and the case involving the ultra nationalist group Nihon Kominto.

But Kato himself has reasons why he cannot so easily respond to the demand. He embraces a possible revolt in his camp regarding this issue. His suspected scandal was supposed to be that he accepted 10 million yen in cash at a Shinjuku hotel in January 1990 from a former vice president of Kyowa, an iron and steel frame processing firm and a customer of *jusen* loans. Kato has stayed with his answer of having "no memory" of it, and the Kyowa vice president is now serving a prison term.

The 1992 regular Diet session, which for the first time dealt with the issue, was called the "Kyowa, Sagawa Diet," and Chief Cabinet Secretary Kato succeeded in getting over the desperate difficulties. It was because the opposition side made the mistake of presenting an erroneous date on which the graft had taken place. Kato had an apparent alibi on that day.

But on 1 March this year, the situation was abruptly changed by a MAINICHI SHIMBUN report on the former head of a supporters' association who had made new testimony that Kato "was indeed involved in the 10 million yen graft." The head of the supporters' association pointed to another date that was close to what had been so far presented, and explained in detail that he had been on the scene and about the discussion by Kato's close associates on how to deal with the matter after the case was exposed. He further explained that he "had been entrusted with the 10 million yen at issue and later deposited it at a regional legal affairs bureau after an unsuccessful attempt to return it."

Although the content of the testimony was quite detailed and real, Kato has been on the defensive without discussing much about the matter. Why does such an orator like Kato keep his mouth shut on this particular matter? There can be only one rational assumption. It means that the testimony of the former head of his supporters' association is almost true to the fact. Kato is in a far more unfavorable situation than those confronted by Nakasone and Takeshita in the past. If he

is summoned for testimony under such circumstances, there is a strong possibility of his being punished for perjury or for refusal to testify in accordance with the Diet Testimony Law. Suppose he barely succeeds in getting over the controversy; there is no question that he will be inflicted with an unmeasurable damage politically.

The Final Key is in Kajiyama's Hands

The question now is how to cope with it. The ruling parties succeeded in getting the House of Representatives to pass the budget by giving the opposition parties a suggestive pledge to materialize Kato's summons as a witness to the current Diet in session and by letting the NFP compromise with equivocal settlement to "freeze" the matter at issue.

In view of the deliberations needed for budget-related bills, an extension of the current Diet session, which is supposed to end on 19 June, is inevitable. Kato, who wants to avoid the summons, is expected to make moves to end the Diet session as early as possible, making the extension of the Diet session the next focal point of the political situation. In the final stage, Kato may have take the last resort of "dissolving the House of Representatives." Dissolving the lower house is a prime minister's prerogative, but as the LDP's No. 2 man, he may suggest it to Prime Minister Hashimoto.

To force the Diet's dissolution as the final choice, Kato has to win the consent of the coalition partners, both the SDP and New Party Sakigake. The two parties have been in morbid fear of the house's dissolution because they are sure to suffer a deadly blow if an early general election is held. It has been rumored that Kato made a secret pledge for "no house dissolution in half a year" to both parties in January when he solicited the support of the SDP and New Party Sakigake in government management at the outset of the Hashimoto cabinet. If so, Kato has no moral binding to either party after July. Both parties have less reason to plead for a postponement of the dissolution, as the prospect of forming a new political party is making no progress and the expiration of the Diet membership terms is approaching.

Immediately after the start of the Hashimoto regime in January, the LDP's "conservatives faction" was looking at the possibility of an early house dissolution with the high popularity of Hashimoto and the popular support of his cabinet as the backbone. In time, the "conservatives faction" stopped talking about the dissolution, as Hashimoto's popularity is on the wane as a result of the *jusen* controversy. With the report in early March on Kato's suspected acceptance of dubious contribution

money as a turning point, a delicate change has occurred in the tone of the concerted slogan of the "LDP-SDP-New Party Sakigake faction" that they favored "elections at the expiration of their Diet term." It can be interpreted that a total reversal has taken place in two months in the judgment of the "conservatives faction" and the "LDP, SDP, New Party Sakigake faction" about the House's dissolution.

There is no denying that Chief Cabinet Secretary Kajiyama regards supporting Prime Minister Hashimoto and his order as the top priority, and he is a key person in the LDP's "conservatives faction" and the Hashimoto cabinet. What will Kajiyama do when the "LDP-SDP-New Party Sakigake faction" makes a move toward the dissolution by conducting a "purification ceremony" for Kato? Kajiyama seems to hold the key to opening the last door to put an end to the political strife.

Japan: MITI Weapons Head on Defense Industry Issues

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[Article by Tatsuya Kugo, director, Aircraft and Defense products Division, Machinery and Information Industries Bureau, Ministry of International Trade and Industry. Originally titled "Present Conditions, Issues in Defense Industry"]

[FBIS Translated Text]Preface

On 6 December 1995, Tatsuya Kugo, director of the Aircraft and Defense Products Division, Machinery and Information Industries Bureau, Ministry of International Trade and Industry [MITI], spoke as an invited guest at the "FY1995 MITI Seminar" held at Hotel Grand Hill Ichigaya. The event was sponsored by the Japan Association of Defense Industry [JADI]. In his address, titled "Present Conditions, Issues in Our Nation's Defense Industry," Kugo looked at present conditions and the future prospects for Japan's manufacturers (especially equipment manufacturers), discussing defense industry responses in the United States in Europe to cuts in defense spending as well as present conditions and problems facing Japan's defense industry in a highly insightful speech. The contents of his speech are presented below as background information for our members.(Also see the attached reference materials).

Speech Contents

I am very proud to have the opportunity to speak today on the topic "Present Conditions, Issues in Our Nation's Defense Industry." I would like to start by noting two things. First, the turmoil and extremely harsh environment we are now experiencing is not unique

to Japan's defense industry. To give you my frank impression, I believe that Europe's defense industry is also facing a very serious situation. In one sense, relatively speaking, I would have to say that Japan's defense industry is still rather fortunate. Secondly, in Japan the defense industry is not the only sector facing harsh conditions. I believe that this is only natural. In many corporations, nondefense operations are facing an extraordinarily severe environment. This second point is explained in some detail in Section 1-1, "Current Conditions, Prospects for Our Nation's Manufacturing Industry (Particularly the Machinery Industry)," of the supplementary materials.

When we talk about the "Machinery Industry," we are referring to a wide range of machinery, everything from computers and motor vehicles to precision machinery. Let me discuss in simple fashion, however, the current situation for you. As noted in Section 1-(1), the key term here is the "yen's increased value." Two other important factors are global competition and global operations. Actually, the strong yen is closely related to global competition. In the past, because Japanese manufactures exported to foreign countries were steadily growing in volume, these countries demanded that something should be done about our trade surpluses. However, things are a bit different today. For example, when it comes to motor vehicles, Japan is still running an export surplus. However, I believe that in a certain sense, due to the strong yen, Japan's industrial base is in danger of destruction. Consequently, I believe our manufacturing industries are going to have two problems regarding international competition that are becoming more and more serious than in the past for them. Namely, how to respond to global competition in the domestic market, and what kind of corporate strategies to develop in concert with business allies in the international marketplace for more strongly competitive industries.

Since it seems likely that the yen's value will continue to rise in the future, it seems that Japanese corporations in order to retain their competitiveness will as a matter of course have to shift production activities offshore. Although it has still not become a major trend for manufacturers, a few Japanese corporations have even shifted their corporate headquarters overseas. In some cases, they have set up corporate headquarters in each of the four major markets—Japan, Asia, Europe, and the United States—to be able to compete effectively with European and U.S. competitors in each of these markets. They are considering strategies like these to remain competitive, and in some cases have already done these things. In that sense, then, I think that what we have here is recognition of the need to think in global terms of where in the world design and development should take

place, where main office functions should be handled, where production facilities should be located, and from whence parts should be procured. Corporations are now really starting to transform such thinking into reality.

I believe the question thus is how things will develop in the future. This is a very thorny topic. I do not see how we can be in the position always to be able to draw a clear picture of which way things will go in the future. Generally speaking, as shown in Section 1-(2), "The Future," we are not saying that the competitiveness of Japan's manufacturing industries will decline. On the other hand, I do not see Japanese corporations as able to maintain the overwhelming competitive strength they have previously shown in certain sectors. That may not be true for all these areas. When it comes, say, to motor vehicles, however, I think it will be difficult for our firms to maintain the advantageous competitive gap that they have enjoyed to date. Then there is the case of semiconductors. Even in the past, Japan has long proven no match for the United States in certain areas like logic chips, but has been strong in memory chips. Nevertheless, South Korea and other countries are quickly catching up with us in this sector. Japan is thus now rapidly losing its overall superiority. Consequently, it is inevitable that to a certain degree there should be a trend towards a reduction in Japan's exports. That, in turn, will mean a rise in the rate of overseas production. As a result of this relationship, I think that we are going to see a rise in imports, including reverse imports and imports by U.S. and European manufacturers. As I pointed out earlier, we are seeing Japanese corporations in various sectors responding to these conditions by expanding their global operations. When it comes to Japanese industry as a whole, however, I think that we can identify a number of current problems.

One problem is how to preserve Japan's domestic production and technology base. Addressing this question from the standpoint of outcomes, as outlined in Section 1-(3) "Problems," we have to be concerned that, viewed in the long term, employment may become a problem. Since corporate restructuring will inevitably lead to the transformation of Japan's domestic production system, we must work without a doubt to foster new kinds of industrial operations if we wish to solve this employment problem. Nevertheless, from the standpoint of the corporations that would be providing such work, I do not think that it would be all that easy to initiate new business operations, and that they would likely encounter many difficult problems in attempting to do so.

Consequently, when we are considering this issue, I think we must ask ourselves what really is the best way to approach it. When we are thinking about the kind of manufacturing industry that we will need

for the future, I think that we should be aware that research and development [R&D] is likely to be an extremely important trend. In other words, while to a certain degree it might be necessary to transfer production facilities overseas when it comes to the actual manufacture of goods, it would be best to maintain the R&D functions here in Japan. Having argued thus, I think that various problems emerge: problems of the universities or of how education from the elementary should be. As for MITI, in policy terms we are doing a variety of things in such areas as the tax system and subsidies to foster research and development. I think that R&D activities must be undertaken in earnest in response to such policies. In addition, as noted at the end of this presentation, even though to a certain degree it cannot be helped that Japanese corporations are going overseas, I believe that ultimately it is necessary to make Japan a more attractive environment for manufacturing industries.

Even so, I frequently hear when talking to corporate members they that even when they wish to try something new or just pursue their daily activities, they always have to think about the various and sundry regulations they face. Let us take for example the foreign regulations, starting with the Three Principles on Arms Exports, which I will discuss in more detail later. There are also environmental regulations. I think that to a certain degree social and safety regulations are a matter of course, and sometimes it also behooves us to implement economic regulations.

Rather than just being considered as restrictions on the manufacturing industry, administrative actions should also be considered as providing various kinds of services to manufacturers. For example, deregulation of electrical power, gas, telecommunications, finance, and other non-manufacturing sectors naturally would be useful in reducing cost disparities that put Japan at a disadvantage compared to foreign countries. We also need to study the problem of regulations as related to the tax system. During this year's debate on tax reform, there was discussion of land value taxes. There are areas where Japan's taxes are quite high compared to those in the United States and Europe.

Take for example the corporate tax rate. I think that in the future we need to study the tax system and related matters, taking into account these real conditions, as well as, perhaps, the problem of the depreciation system.

Because of these factors, the present issues and future prospects for Japan's manufacturing sector naturally apply to its defense industry as well. That is because the defense industry qualifies as a form of manufacturing industry, above all as a machinery industry. It is thus

no exception to the conditions that we have discussed. I believe that solving these problems will help in various ways to help open up the prospects for the nation's defense industry.

Next, having discussed Japan's manufacturing sector in general from the standpoint that its defense industry is not alone in facing a harsh environment, I would also like you to understand that within the global defense community the Japanese defense industry is far from the only one in a severe environment. That is shown through a survey of present conditions in the U.S. and European defense industries.

First of all, as shown in Section 2-(1), "U.S. Defense Industry," a trend that has clearly manifested itself in the U.S. defense industry is a shrinkage in government defense expenditures. This decrease in defense expenditures is a common phenomenon throughout the world, and in order to respond to it U.S. firms are restructuring and reorganizing themselves in an extraordinarily active way. First, spending on national defense has declined with the Cold War's end. In response, corporations quickly took various measures to cut costs. Since, unlike in Japan, layoffs are easy to do in the United States, companies quickly cut back personnel. This cost cutting led to what might be termed intensification of competition or cost control. I think that these developments led at least to a certain degree to the elimination of marginal corporations.

Next took place with extraordinary vigor corporate mergers and consolidation. For example, as you know, in March 1996 Lockheed-Martin Corp. came into being. That led to a roughly 10 percent cut in the work force, a drop of 12,000 from the total of 170,000 on the payroll of the new company. On top of that, 12 factories and 26 local offices were also closed. The area where the operations of the former corporations, Lockheed Corp. and Martin-Marietta Corp., had overlapped to a sizable extent was in space launchers. Speculation is that the Defense Department estimated that the merger would result in cost savings of 2 billion dollars over a 10-year period, compared to what the two independent corporations would have spent to manufacture space launchers independently. This kind of M&A and resulting mergers naturally results in payroll reductions, and I would think that we will continue to see this kind of action continue to occur quite frequently in the future in the United States. The best example of this I think is the talk of a merger between Boeing Corp. and McDonnell-Douglas Corp., although admittedly at this point there is no knowing whether it will actually happen. In such a case, however, the merged firm—which I will call "Boeing-Douglas"—would be a company with an extremely good balance between

manufacture of civilian and military aircraft. It would be along with Lockheed-Martin one of the two major U.S. corporations in aerospace.

As you know, Boeing has not been involved in that many defense-related projects. For the most part, the projects in which it is now involved are heavily weighted towards projects for the next century. In contrast, McDonnell-Douglas has several ongoing projects, including the F-15, Hornet, and the C-17 Globemaster. I think that if these two corporations were to merge it would result in an extremely powerful giant of a defense contractor. I do not know for sure, but from the way I read the signs, I think that the Defense Department may respond quite favorably to such a merger. But such M&A activity has effects similar to those I discussed earlier in connection with Japan's manufacturing industry, namely problems connected with the issue of employment. It would do nothing to solve the employment situation, since the restructuring that results from the merger of two corporations inevitably results in laying off employees. I therefore think that the severity of the employment problem will continue in the future. For example, in 1989 there were 1.30 million workers employed in the U.S. defense industry. By 1994 that total had dropped precipitously to around 80,000. As economic conditions for the United States are really quite advantageous, overall the unemployment rate has not really risen all that much. In Europe, however, the economy is not doing nearly so well, and unemployment has become a very serious question. It also seems likely that this situation will continue in the future. The result is likely to be one of the things we saw occur with the U.S. defense industry, namely consolidation.

Next in the reference materials is something of which you all are probably aware. Due to reduced defense spending the U.S. Defense Department has become aware that it cannot maintain its spending levels to date on defense technology development and production. As a result, in addition to encouraging rationalization in the defense industry, the Pentagon is doing everything it can to cut costs as much as possible by substituting general-use products and technologies and generally shifting towards the civilian sector. As a result, procurement methods are also changing.

MILSPEC (military specification) materials requirements are being reduced and steps taken to stimulate rationalization and greater efficiency.

Finally, the last point mentioned is that the United States and Europe differ from Japan, naturally, in that they are dependent to a certain extent on exports. I think that Japan has been one export market but that the

Middle East has been traditionally an export point and Asia recently has been a growing one. In the Middle East, the Palestinian question that has estranged Israel and the Arab countries for so long is heading in the direction of a basic solution. Considering the presence of Iraq, Iran, and other factors of tremendous instability in the region, however, the United States and Europe basically still view the Middle East as a major defense market to a certain extent. Since Saudi Arabia's defense expenditures this year come to \$13.2 billion, that means that in yen terms they are spending about 1.3 trillion yen. The Saudi government has procurement plans for various kinds of equipment, including 72 F-15's and 48 Tornados built by British Aerospace (Panavia).

Moreover, I feel that in the Middle East basically there is a symbiotic relationship between the price of oil and defense purchases. At one point oil prices had dropped sharply compared to the past, although recently they have become comparatively stable. It is hard to know the future for sure, but I would guess that the market will survive to some extent. Concerning Asia, the present situation, in which defense spending in Southeast Asia and, particularly, in China have been rising to an extraordinary degree, is as widely reported in the newspapers. I believe basically that each country is probably paying the most attention to China. My impression regarding the increase in China's military power and military expenditures is that there are basically two points of view. The first is that this represents a grave threat. The second is that they do not, since previously China's military equipment was very old, dating back to the fifties, and that now the Chinese are simply modernizing their forces. However, I think that the nations of Southeast Asia are by no means thinking that China is not a threat. In that sense, I think that these countries look on China as a latent threat and are thus steadily increasing their defense expenditures. The key to this expansion of defense strength in Southeast Asia, I believe, is the fact that rapid economic development has given these countries the fiscal wherewithal to make hefty investments in national defense.

Here I would note the data that from 1986 to 1993 total defense expenditures in Asia rose by roughly 25 percent. In the case of Malaysia in line with its defense plan spent from 1991 to 1995 3.0 billion dollars, or approximately 300 billion yen, to procure weapons. That was more than double what it spent during the previous five years, or from 1986 to 1990. Malaysia's annual defense spending is now at roughly 4 percent of GDP. Moreover, the Malaysian government is not simply using its defense budget to buy foreign-made military equipment. It is also making various efforts to

develop little by little a domestic defense industry. In brief, looking at the global defense market, we can see that increased defense demand in Asia is not solely a result of Asian actions. I think that the United States and Europe are extremely ardent in their desire to make arms sales in the Asian market. Next, I refer to Section 2-(2), "Europe's Defense Industry." Here I would say that it is my understanding that, compared to the United States, Europe lags in transforming its defense industry system. As you know, until now the European nation that has traditionally shown the greatest determination regarding its defense industry is France. The French position has changed somewhat of late, but Paris still refuses to contribute troops to NATO units and jealously maintains its independent policy line. Nevertheless, the French defense industry too finds itself in dolorous circumstances. It is running a 7 percent deficit in terms of sales to production costs and pumping tremendous amounts of money from the National Treasury into Aerospatiale and other defense contractors. But clearly the nation's defense industry cannot continue to be indiscriminately protected under the government's wing. Rapid restructuring will have to take place. Aerospatiale has announced that it will cut 3,100 employees, and the aircraft engine maker SNECMA [Societe Nationale d'Etude et de Construction de Moteurs d'Aviation] has said that it will cut a quarter of its 12,000-man work force. Then there is the tank manufacturer Giat Industries, which amounts to a national enterprise. That firm as of the end of 1994 was running a deficit and debt of 2.4 billion francs, or the equivalent of close to 50 billion yen. To make up for the deficit shortfalls at these national enterprises, the French government has had to provide subsidies equivalent to hundreds of millions of yen. Considering France's present fiscal and economic circumstances, these are very hard to maintain.

France has committed itself to the unified European currency system. One of the criteria for participating in this unified European currency system, however, is that a nation's fiscal deficit must not exceed 3 percent of GNP. However, France now exceeds this point. Only four countries at present reportedly can fulfill this requirement: Germany, the Netherlands, Denmark, and Luxembourg. If France, a European Community pillar, is intent on joining the unified European monetary system, it must be prepared to cut its fiscal deficit. I thus believe it clear that France must cut spending for social security benefits and, as a matter of course, also cut defense spending.

The Midterm Plan for the Defense Industry (five-year plan) drawn up in 1993 calls for 0.5 percent increases in defense equipment spending per annum during the life of the plan. However, I think that as things now stand

it is an impossible goal. I do not know the details of the projects, but I feel that projects called for under the plan, such as the French Army's NH-90 helicopter as well as France and Britain's joint Future Large Aircraft (FLA, a large military-use transport aircraft) are certain to run behind schedule. That is the situation in France, but basically its circumstances are not all that different from those in Great Britain and Germany. The question becomes what the European defense industry will do to cope with the shrinking market. If it wants to be a strong defense industry able to vie with that of the United States, then it inevitably must follow the same path and pursue restructuring through mergers.

The problem is that Europe is divided into various countries. The point of discussion then becomes whether corporations from Germany, France, Great Britain, and other nations can successfully engage in international M&A. Until now such attempts at international M&A have not fared at all well. Moreover, they have only involved a handful of projects. For example, both British Aerospace and France's Matra have been making their own missiles. It appears that negotiations to join them together to form a single company have not made good progress. There are many other examples besides this one. Nor do I think that they will easily be able to make up their minds. Moreover, in the end if international boundaries can be surmounted and joint corporations formed, that means that the defense ministries in the various countries will lose direct control over them.

After all, until now it has been the accepted philosophy that defense industries need to belong to each individual nation. Moreover, it has long been believed that for the sake of national security defense industries should remain domestic. To seek to overturn this tradition and create overnight a European defense industry giant along the lines of "Boeing/McDonnell-Douglas" is understandable as an economic decision. However, I think that the nations involved will be unable to reach the political decision to do so. On the other hand, if there is absolutely no consolidation of this sort, although as I pointed out earlier, with the drop in defense spending Europe can still try with all of its might to export defense equipment to Asia and other regions. However, the amount of its deficit shortfalls that it can cover through such a strategy is limited. That makes me think that in the end Europe's defense industries will be with their back against the wall. This last point is discussed in Section 2-(3), "Problems."

I believe that we need to pay attention to the degree of progress achieved in the future through such mergers and centralization in the United States and Europe. I also believe that in the case of the United States a merger between Boeing and McDonnell-Douglas is

in the immediate offing. I think European national champions from each country will then have to merge.

Be that as it may, there was an editorial in today's **FINANCIAL TIMES** to the effect that the time has come for mergers among Europe's national defense industries and that to that end the armies of Great Britain, France, and Germany should standardize their defense equipment procurement. The argument here was to the effect that joint agreement on equipment standards and such throughout Europe would allow for great increases procurement levels for commonly accepted military equipment. That is, it would provide economies of scale. For example, one manufacturer could be responsible for the manufacture of tanks, another for the production of combat aircraft. However, I think that the critical question is whether in the end opinion throughout Europe can be unified on this issue.

When it comes to the second problem that I just mentioned, if the merger trend continues, in the end what we may see is the survival in the United States of only two major defense contractors, and in Europe only one or two corporations. This gives cause for concern about the problem of whether competition will be preserved or not. This is likely to cause one to conclude that if we wish to preserve competition, then we ought to think only in terms of depending on imports. However, I have the feeling that this would not be an easy path at all to pursue. Consequently, I believe this means that we must undertake mergers and consolidations, and do everything possible to control costs.

Finally, when it comes to the question of what is to become of cooperation between U.S. and European defense contractors, I would indicate that there are likely to be various kinds of joint projects. For quite some time now there have been such projects, for example the Harrier aircraft and the X-31. U.S. and German researchers are reportedly now working together. Nevertheless, I believe that such a way of doing things involves numerous practical difficulties. That is to say, since both the United States and Europe are exporting defense equipment, they would have to reach some kind of agreement in the area of export policy. When it comes to questions of technology transfer, European firms complain that the United States is totally unwilling to transfer technologies to Europe. They say that especially when it comes to critical components, the U.S. side will not give anything at all. This is no doubt true for any country, but it makes me feel that cooperation between the United States and Europe will not make much progress.

My comments on the above subject have become somewhat long, but I would note that when it comes to the worldwide reduction in defense spending. Although

the continued trend in marked spending reductions may differ by country, I think it will be quite serious in the case of France. In the case of the United States, I have heard that things will stop at about the present level.

In this global trend of reduced spending on national defense, what will become of Japan's defense industry? As detailed in Supplementary Materials 2, "The Research Council on Defense Industry Issues" under MITI held various deliberations prior to compilation of the National Defense Program Outline [NDPO], and my remarks have incorporated some of the points made then. Some of the specifics are included in Section 3, "Defense Industry Responses." The responses of the government are discussed later. In any event, it is clear that there is no avoiding greater efficiency and cost reduction. The Council's report says that to the maximum extent possible defense spending should not be slashed. The report recommends procurement with full consideration for preserving the defense industry's production and technology base. This position is also included in the NDPO. Nevertheless, it is rather difficult to imagine spending on defense equipment rising in the future. Under these circumstances, unless we make progress in efficiency and cost reduction, the men in uniform who are the actual operators of the equipment will argue that equipment need not necessarily be made in Japan. When it comes to aircraft, the argument is that they would like a certain number. I think that we must consider this in terms of greater efficiency.

As described in detail in Paragraph 2 of Section 3-(1), "Bringing About Greater Efficiency, Cost Reduction," it is not always easy to estimate specifically how much an effect on cost cutting the greater use of universal parts and CALS activities will really have. Nevertheless, we still have to plan how to employ such means to bring down costs. Furthermore, as described in Paragraph 3, in the United States and Europe already M&A is being used for the sake of restructuring. >From the standpoint of greater efficiency there is a perceived need to consolidate various sectors and reorganize subcontractors. The second key to improvement is no doubt what is described in Section 3-(2), namely, "Preserving, Upgrading Technological Strength." Here we have the case of the Defense Agency's Technical Research and Development Institute [TRDI], with an annual budget of 150 billion yen, that of course has a defense connection. Although defense may be the main connection here, properly speaking the technology involved here is not defense technology per se, but rather technology used for defense in the broad sense. In this connection I believe that from the standpoint of general technical development, we need to use research

and development expenditures in the defense sector to a certain extent to promote R&D.

Also, there is also the possibility that henceforth we may not necessarily be able to depend on R&D based on licensed technology from the United States. Rather, as I noted earlier, the U.S. Defense Department has adopted the policy of opting for general technologies and parts to the maximum extent possible when procuring defense equipment in an effort to reduce costs. For that reason, I think that the Pentagon will ask Japan to put forward technology in the process. As I noted earlier, as long as it is on a private-sector basis, then it naturally becomes an issue of concrete issues in promoting incentives. I think that we are going to see a trend towards greater joint development compared to the past. In terms of joint development, there is the wish on the U.S. side to gain Japan's cooperation from the initial stage of development. It is not, in the name of joint development, a matter of the United States spending on its own all the R&D money, then asking Japan for money in selling the resulting technology. I think that such developments in joint development may loom ever larger in the days to come.

When it comes to the response of the Japanese government, as written in Section 4-(1), "Defense Procurement With Full Consideration for Preserving the Defense Industry's Production and Technology Base," there is a need to consider fully preserving the defense industry's production and technology base in defense procurement. It also says that the key is creating budgets able to maintain the production and technology base. Of course, the premise here is cost reduction through greater efficiency in the defense industry. Therefore, it argues that something must be done to support efforts at increasing efficiency and cost cutting. One way to promote efficient procurement is to ease specification requirements. The United States has reduced MILSPEC requirements, so Japan will also in the near future go in that direction.

There is also a need to rationalize procurement procedures, including ordering procedures. Moreover, when it comes to CALS, we at MITI believe that in order to promote CALS subsidies could be provided in various sectors to develop CALS. In the recently revised budget, 20 billion yen has been provided for this purpose.

If you consult Paragraph 3 of Section 4-(2), "Support for Making Defense Industry More Efficient, Reducing Costs," you will see that we consider it only natural that procurement should be standardized. However, troubled that such standardization has been limited to low-level areas, we argue that a certain amount of money should be provided for the purpose of standardization.

Let us next turn to Paragraph 4. It states that when it comes to Defense Agency procurement, it is not enough to argue that if contractors work to bring costs down then from next year we will automatically have low unit prices. Rather, we must recognize the need to provide incentives for these corporations to work to reduce costs. Already the Defense Agency's Central Procurement the possibility that restructuring of small and medium-size subcontractors with highly dependent on defense contracts could lead to their elimination, and possible measures to deal with this situation.

Furthermore, when it comes to the point I mentioned earlier, as discussed in Section 4-(3), "Assistance for Preserving, Upgrading the Defense Industry's Technical Strength," since defense-related technology is of a very special nature, the impact of the support provided by the Defense Agency technology development budget is quite sizable. Then, too, for example there are the various kinds of national research institutes, among the ranks of which are the National Aerospace Laboratory [NAL], institutes related to computer research, and other kinds of facilities. It may prove of value to consider using such facilities for defense-related research. Finally, I think that international joint R&D will be a major trend as in the future defense equipment projects grow large in scale and considerably large in cost. In this event, when we consider such issues as being able to manufacture jointly after international joint R&D and whether it would be acceptable for the United States to sell items jointly produced to allied nations, such actions basically cannot be accepted now under our Three Principles on Arms Exports. This is an extraordinarily difficult issue. The fact is that it is a politically difficult issue with various angles. The NDPO for the years subsequent to FY96 has been approved by the Cabinet. At the time of its consideration there was some discussion on how the Three Principles on Arms Exports should be treated.

The basic conclusions are contained in Section 3 of the reference materials, "The National Defense Program Outline for the Years following FY96" (as summarized from remarks by the Chief Cabinet Secretary). It states in part, "In reference to the Three Principles on Arms Exports, etc., we need to find ways to harmonize them with effective operation of the Japan-U.S. Security System based on enhancement of a broad range of mutual exchange in the areas of equipment and technology, while still maintaining the existing principle of avoiding furthering international conflict." This statement, saying two things, maintains the fundamental principle of the Three Principles on Arms Exports. The basic principle here is that Japan will not export arms that would encourage international conflict. The question is then we

can do within the scope of not going against the fundamental principle of the Three Principles. On the other hand, as I mentioned, there is the demand for effective operation of the Japan-U.S. security system.

I believe that the important point here is whether or not "enhancement of a broad range of mutual exchange in the areas of equipment and technology" implies specific approval for joint bilateral research and development that goes beyond the level that has existed until now.

Finally, I would draw your attention to Paragraph 3 of the section in the revised NDPO on "points to consider regarding the establishment, maintenance, and operation of defense strength." It states: "At such times, we must pay heed to the preservation of our defense production and technology base through an appropriate shift to domestic production, etc." I would point out that this is the first instance in which the NDPO has mentioned as a point to bear in mind the preservation of the defense industry's production and technology base for the sake of our defense strength. These are the points I would like to make concerning "Present Conditions, Issues for Japan's Defense Industry."

Profile of Speaker, Tatsuya Kugo

1975: Graduated Law Department, University of Tokyo

April 1975: Entered MITI (General Administration Division, Patent Office)

January 1978: General Supervisor, Textile Products Division, Consumer Goods Industries Bureau

January 1979: General Supervisor, General Affairs Division, Consumer Goods Industries Bureau

January 1980: General Supervisor, Agricultural and Marine Products Division, International Trade Administration Bureau

May 1982: Assigned to Ministry of Foreign Affairs [MFA] as First Secretary, Embassy of Japan, Algeria

April 1985: Auditing Investigation Committee, Minister's Secretariat

May 1989: Chief of GATT Office, International Economic Affairs Department, International Trade Policy Bureau

June 1992: Assistant Director, Japan External Trade Organization [JETRO], Vienna

June 1995: Director, Aircraft and Defense Products Division, MIIB

Enclosure**Present Conditions, Issues for Japan's Defense Industry**

Presenter: Tatsuya Kugo, Director, Aircraft and Defense Products Division, MIIB, MITI

Time: 13:30-15:00 Wednesday, 5 December 1995

Venue: Hotel Grand Hill Ichigaya

Sponsor: Japan Association of Defense Industry (JADI)

Supplementary Materials 1**"Present Conditions, Issues for Japan's Defense Industry"****1. Present Conditions, Future Prospects for Japan's Manufacturing Sector (Machinery Industry in Particular)**

(1) Present Conditions: yen's rising value, global competition and global operations (2) Future Prospects: stagnation of competitiveness, decreased exports, increase in ratio of overseas production, gradual increase in imports (3) Issues: domestic production and technology base (rebuilding domestic production system, bringing down costs, employment problems), R&D, making Japan an attractive location for industry (deregulation, tax system, etc.)

2. Defense Industry in Europe, United States: Responses to Trend Towards Reduced National Defense Spending

(1) United States: Defense industry rationalization (M&A, etc.); greater use of general parts, technologies; cost cutting; improved procurement methods (reduced use of MILSPEC, etc.); compensating for drop in domestic demand through export promotion (especially to Asia) (2) Europe: Even France, other countries that until now have ardently maintained their defense industries have cut equipment expenditures in 1996. Future NH90 and FLA plans are likely to run behind schedule Restructuring and cooperation that transcends the borders of Britain, Germany and France. Privatization of national enterprises. Exports. (3) Issues: Extent to which mergers will take place in United States, Europe. In event mergers continue, their effects on maintaining competitiveness in domestic procurement. Future of cooperation between the United States, Europe (harmonization of technology transfer and export policies needed, but is it possible?).

3. Present Conditions, Issues Facing Japan's Defense Industry**Supplementary Materials 2****Present Conditions, Issues Facing Japan's Defense Industry**

(Interim Report of the Council on Issues Facing the Defense Industry)

31 October 1995

Introduction

In recent years, the environment for Japan's defense industry has grown severe. In other words, Japan's defense industry until now has been unique in the world in seeking solely to satisfy domestic defense equipment needs and established its development and production system accordingly. However, with the Cold War's end and other factors that confront us with large-scale cuts in frontline equipment spending, etc., future trends in conditions threaten to make it difficult for us to maintain our production and technology base. We are thus certain to see henceforth strong demands for the upgrading of the technical level in this sector through a more sophisticated level of high technology and systemization for defense equipment. On the other hand, we must work to maintain the competitiveness of Japanese defense equipment amidst the prevailing domestic and international economic conditions.

Considering this environment, maintenance of a healthy production and technology base for Japan's defense industry and continued support for a system able to provide high-quality equipment are questions of the utmost importance for our nation's security. Moreover, based on the assumption that military technologies can to a certain degree exert an influence on civilian technologies and thereby raise their production technology standards, it is believed that maintenance of the production and technology base is significant from the standpoint of related industrial policy as well. Based on this recognition, in September 1995 the director of MITI/MIIB established as a personal advisory body the "Research Council on Issues for the Defense Industry" in order to investigate various problems related to Japan's defense industry. Since then it has been conducting such a study.

On the other hand, within the Cabinet the Security Council of Japan has been deliberating on the future form that Japan's defense strength should take. It is working to compile the new NDPO by the end of November and the new MTDP by the end of the year. Be that as it may, since to start with various problems, such as the methods of procuring military equipment or the ways that military technology are developed, involve conditions for the suppliers, namely the defense industry side, from a broader perspective we are compelled to

delimit our basic policies on defense, including solely defensive defense, and the specific defense policies based on them. However, the purpose of this research council is not to study these defense policies per se, so we will await the outcome of the deliberations of the Security Council in this regard.

Based on the above-mentioned points, the research council in its interim report will summarize its findings to date on various problems surrounding our nation's defense industry. We hope that these findings will somehow be reflected in the investigations for the NDPO. Furthermore, we hope to conduct further needed study based on the contents of the new NDPO and new MTDP, which will be decided by year's end.

1. Importance of the Defense Industry

In the case of Japan, which has no national arsenals, the nation is not only completely dependent on the private sector for its defense production base (worth about 8 trillion yen as of 1993), the same situation holds true in terms of maintenance and resupply. Moreover, the number of defense technicians at private firms, roughly 13,000 individuals, greatly outnumbers those belonging to the Defense Agency. (Private sector engineers outnumber those working for the Defense Agency's Technical Research and Development Institute [TRDI] by a ratio of approximately 12 to one.). The defense technology base, too, can thus be said to be largely dependent on the private sector.

(1) Importance for Security

For Japan, as noted above, the defense industry amounts to the production and technology base for the nation's defense strength. From the following perspectives, the preservation in the future as well of a healthy base in this sector is important for Japan's security.

First, the defense industry offers the capability to supply essential equipment in the event of an emergency as well as the capability to resupply such equipment. These capabilities serve as an integral part of the deterrent to the invasion of Japan by other countries during normal times as well. The domestic defense industry is also important because it provides the capacity for independent development and production of the minimum amount of equipment required to defend Japan—a nation surrounded by oceans and largely covered by steep mountains—and appropriate to its national conditions.

Moreover, it is a defense industry base endowed with the capability for the production of technologies that are highly original from a global standpoint, such as active phased array radar and aircraft wings made

from cocured composite materials, and the potential for development of other such technologies. The existence of such sophisticated technical prowess is important in terms of Japan's ability to procure equipment from overseas. For the major nations of the West, defense equipment is as a matter of principle domestically produced for the most part. We believe that this reflects factors such as those discussed above.

(2) Importance in the Technical Sphere

It goes without saying that our defense technologies are developed and employed from the perspective of providing an effective defense for Japan. In addition, however, they can function as technical trailblazers for general, civilian technologies and have major ripple effects. Therefore, they play a very important (spin-off) role from the standpoint of raising the technical level of industry as a whole.

For that reason, generally speaking, the level of technical expertise demanded in the defense sector is extremely sophisticated. As a result, it can be said that Japan's defense industry has come to engage in the most demanding forms of research and development. When it comes to nondefense practical applications as well, the technology from infrared pursuit devices for missiles has been adapted for use in crime prevention monitoring cameras, etc., while "stealth" aircraft technology has been employed in developing techniques for canceling out radio wave interference affecting high-rise buildings. Moreover, in addition to these highly specific examples of technical use, in aerospace the use of military aircraft technologies in civilian aircraft, etc., it has greatly contributed to the development of the civilian aircraft industry.

On the other hand, military technologies and civilian technologies mutually exert spin-on and spin-off effects. Especially since the level of Japan's civilian technology is overall quite high, the spin-on effect has helped Japan to develop exceptionally advanced technologies in certain sectors. Other examples of the application of civilian technologies to military needs are the use of liquid crystal technologies in the flat panel display units of fighter aircraft, and the use of carbon composite materials to make the main wings of fighter aircraft lighter.

Similarly, the development of advanced technologies in the defense sector and the effort to use them to spark progress in the civilian sector creates a cost reduction process. The upshot is that broadening uses of technology in the military sector gives rise to a virtuous cycle that contributes to raising the level of industrial technology in general.

2. Environment for Defense Industry, Issues

(Special Characteristics of the Defense Industry)

Japan's defense industry, in line with the Three Principles on Arms exports, is restricted to supplying only the Defense Agency. Since it is solely oriented towards the domestic market, it has developed a production system in which many different items are manufactured in small batches. Moreover, when it comes to prime contractors, there are usually only one to four corporations (corporate groups) per sector. All of these prime contractors are also involved in the civilian sector; their dependence on defense work varies depending on the office concerned. Nevertheless, the rate of dependence on defense work for the top ten defense contractors is terms of procurement value does not exceed about 6 percent. On the other hand the example of the United States shows that the defense work dependence rate for the top ten defense contractors is around 48 percent. That shows how extremely high the defense work dependency rate for members of the U.S. defense industry compared to their Japanese counterparts.

This dual-sector structure for Japanese defense firms has the advantage of allowing these corporations as a whole to respond flexibly to short-term, temporary drops in defense demand. Moreover, if the downturn in defense demand turns out to be medium to long-term in length, then the company (corporate group) as part of its corporate strategy can shift management resources to other intracompany sectors without much difficulty.

Moreover, since a high ratio of defense industry work involves processing and assembly, the bottom of its pyramid is supported by many small and medium firms. For example, in the manufacture of tanks, combat aircraft, warships, and such, beneath the prime contractors there can be anywhere from several hundred to 2,000 subcontractors (down to the sub-subcontractor level) involved in production. The breadth of involvement for such subcontractors is greater than in the motor vehicle manufacturing industry, which of course dwarfs the defense industry in size. In the defense field, these small businesses at the bottom of the production pyramid tend to be highly dependent on defense business. Furthermore, when the defense industry is analyzed by business sector, we see wide disparities in the ratio of dependence on defense demand. In other words, it ranges from items like missiles and ordnance "weaponry," the demand for which is 100 percent defense-related, to the aircraft and shipbuilding sectors which are only dependent to a certain extent on defense demand. In other cases, such as telecommunications, corporations in the sector are only dependent to the extent of a few percent on defense business. Due to this sectoral disparity, the

effects of the reduction in defense demand on the industrial base are varying as described below.

(1) Destruction of Industrial Base Feared

With the above described circumstances, as a result of the Cold War's end, severe fiscal conditions, and other factors, the level of new contracts for frontline defense equipment has been declining (There was a decline of 23 percent from the peak point in FY90 to FY95). For that reason, the amount of work being done by the defense industry has been greatly declining. To respond to these trends, at this stage defense contractors have had no alternative but to greatly cut back on overtime work and reduce their staffs. (There was a drop of 6 percent in employment from 1990 to 1993). As for future projections for demand in Japan's defense industry, as noted above the NDPO is now being reviewed. If the trends prevailing until now should continue, however, it seems for certain that the situation will become even more serious. In addition, we can foresee increased pressure from foreign nations, which like Japan are struggling to cope with reductions in defense spending, for us to purchase their defense equipment.

As a result, as indicated earlier, at the levels of the prime contractors, as a result of business decisions made by private firms, we are seeing the scaling back of production facilities, reassignments or layoffs of engineers and technicians, the closure of offices highly dependent on defense, and other such drastic steps. We can imagine that some of these firms will in the end decide to leave the defense business altogether. The situation is even more serious for small subcontractors highly dependent on defense work. In many cases, they no doubt have to think about going out of business altogether. As a result, there is a danger that hindrances may arrive to the procurement of equipment and needed parts. Also, when we consider the impact of these developments by sector, we can see that for sectors that are 100 percent dependent on defense work, including ordnance and missiles, the situation for some of these sectors is already quite grave, one likely as well for other sectors in the future. When it comes to the aircraft and shipbuilding areas, trends in the civilian sector are likely to have a major influence on their production and technology bases. When considering this impact, it is instructive to look at Japan's defense industry in terms of sales by the ten top-ranked firms involved in the defense sector. That compels us to consider the fact that already these sales have reached a smaller scale than for their counterparts in the United States or the important nations of Europe.

Assuming that the defense industry production base was once lost, it would take a considerable amount of time

to restore production levels to what they were before by establishing new production facilities and training new technicians. (It is estimated that this process takes 3-5 years for combat vehicles and a minimum of five years for aircraft). That being so, in the case of an emergency, the industry would not be able to respond to defense demand. Moreover, were the technology base to be lost through the departure of engineers and other factors, the retraining of engineers would require around ten years in the case of combat vehicles and aircraft. It can thus be said that restoring the technology base would be all the more difficult.

(2) Importance of Upgrading Defense Technology, Preserving Technical Strength

As indicated by the fact that modern warfare is often described as "hi-tech warfare," in recent years the functional demands on defense equipment have been growing more complex. That has produced the phenomena in which in order to respond to these demands defense contractors have made their equipment more hi-tech, giving increased weight to electronic equipment and software. For example, the newest combat aircraft (the F-15J) has become extremely hi-tech, what with head-up display panels, pulse Doppler radar, and other advanced features. This trend towards incorporating sophisticated technology is leading to a greater volume of integrated circuits (IC), the advancement of liquid crystal technologies, and other developments, largely made possible by advances in electronics technologies. In addition, command information systems (C3I) are receiving greater emphasis in modern warfare. As a result, along with the increased importance of telecommunications and information processing technologies, we are seeing a greater emphasis on integration technologies. With such developments, Japan's defense industry has until now been seeking to raise its technical prowess to a large extent, as is evidenced for example in the aircraft and missile sectors by such independently developed arms as the F-1, T-4, and AAM-3. As a result of trends in recent years, such as the reduction in equipment expenditures and the increase in development costs for individual projects, opportunities for new development have diminished. Furthermore, when it comes to items produced in Japan under license, there has been a growing trend towards supplying parts on a "black box" basis, meaning that there are fewer instances now than in the past in which new technologies can be developed on the basis of these license arrangements. Moreover, as can be seen in the case of purchase of items for the Aegis System from the United States, the technical prowess in the software field required to handle military data and integration technologies is not always of that high a level. Should this situation continue, in the future we can ex-

pect that it will become increasingly difficult for us to maintain and upgrade our technical strength. That gives rise to the specter of our being unable to maintain the technology base for our defense industry. Furthermore, as pointed out in the report from the Advisory Group on Defense Issues, when it comes to the evolution of increasingly hi-tech, high-value defense equipment, we should consider as one rational option engaging in international cooperation when it comes to R&D and production. Moreover, in order to respond to reduced market demand following cuts in defense spending in various nations, this option is already reflected in the equipment procurement approaches of major nations. Also, the same report notes that in order for Japan to be able to respond to decreased procurement of front-line equipment, it must consider appropriate cooperation with the United States in joint R&D and production.

3. Defense Industry Responses

(1) Implementing Increase Efficiency, Cost Reductions

The defense industry's production and technology base is indispensable for our national security. Therefore, as noted below, in defense procurement it is critical to pay full attention to maintaining the production and technology base. Nevertheless, as noted above, in Japan's case the defense production and technology base is found almost exclusively in the private sector. For us to encourage efficiency in private activities, then, this is an issue that private enterprises must by all means tackle.

Specifically, based on the contents of the new NDPO, we should think in terms of detailed conditions in various industries, then produce detailed responses that take into account both these conditions and national security considerations. For example, building upon the partial deregulation of Defense Agency specifications already implemented, we should plan on how to bring costs down through measures like whenever possible using universal domestic or foreign products and also whenever possible introducing the CALS (Continuous Acquisition and Life-cycle Support) system.

Moreover, regarding future trends in defense procurement, we can expect to encounter conditions in which it will prove difficult to continue to maintain the production system we have had in the past. In the United States, restructuring is already taking place through M&A and other methods. As already mentioned, compared to its counterparts in Europe and the United States, Japan's defense industry has already been rather compact. Therefore, from the standpoint of achieving a new level of efficiency, we should pursue even greater con-

centration when it comes to development, production, and other sectors, not vacillating when it comes to reorganizing our subcontractors and taking other needed measures. On the other hand, should the existing system remain firmly in place, that would invite debilitation of the developmental strength of individual firms, etc., and inevitably leading to the collapse of the production and technology base.

(2) Maintaining, Upgrading Technical Strength

As noted above, we should assume that in the future the technical level of the defense equipped required will be even higher than now. The most crucial thing for us to do in response is to strengthen our independent technology development capability. For example, when it comes to increasing the amount of money spent for R&D, we should think in terms of using superior civilian-sector technologies, and so on. Particularly for our nation's aircraft industry, further efforts at self reliance are necessary to maintain and upgrade our independent development capabilities.

As previously noted, because superior technologies in electronics, materials science, and other fields are indispensable for making equipment more hi-tech, the defense industry should incorporate technologies from related industries, such as sensors, data processing technologies, and composite materials technologies. At the same time, it is important for us to positively pursue our own R&D activities. Also, we cannot expect that the one-way flow of technology provided by the United States will continue. Planning for a two-way, expanded, and balanced technical exchange can thus be considered necessary. Therefore, it will be important for us to work positively to expand technical exchange in the field of general technology, where we can make use of our nation's superior civilian technologies.

4. Government's Response (1) Defense Procurement Paying Full Attention to Maintaining Defense

Industry's Production and Technology Base

When it comes to the level required for our defense equipment and the type of procurement required over the next few years to attain this level, our first consideration should be to make our decisions based on the functions etc. required to achieve the defense capability we expect to need to deal with international conditions for our nation as reflected in policies having to do with our nation's defense stance. Nevertheless, as indicated earlier, when it comes to future trends in our defense procurement, if we consider the chances that our industrial base may collapse and our national security be effected, it is clear that as far as defense procurement is concerned, it is essential for us to pay full attention to

maintaining the production and technology base. That being the case, it is necessary to consider the costs of our policy of having to submit to the Three Principles of Arms Exports.

(2) Support for Efforts To Make Defense Industry More Efficient, Bring Down Costs

In order to support the efforts to make Japan's defense industry more efficient and bring down costs, it is vital in defense procurement for the government to promote efficient procurement and guarantee careful planning. When it comes to promoting efficiency in procurement, specifications should be relaxed in order to make greater use of general products, procurement procedures—including ordering procedures—should be rationalized, and the use of technologies for more sophisticated communication—including greater use of CALS—needs to be encouraged. Especially in regards to CALS, we need to make maximum use of rapidly developing information technologies and work to share information and more networking. To achieve these goals, we need to develop CALS, promote greater efficiency in operations at the production and utilization stages, and provide developmental support so as to bring down costs in the defense industry.

To guarantee effective planning for defense procurement, medium and long-term procurement plans should be clarified, procurement amounts standardized, and the procurement conducted on a sustained basis. When it comes to the defense industry, the quality of planning should be guaranteed, and we should consider active involvement in guaranteeing planning quality as contributing to ease of developing production plans and making the most efficient use of facilities.

Moreover, besides promoting efficiency in defense procurement, we need to look into the possibility of taking increased measures in the procurement and utilization areas, to offer incentives to bring costs down.

On top of that, to respond to specific conditions in different industries, we should no doubt study the possibility of enacting policies to provide support to small and medium subcontractors that have a high degree of dependence on defense work that they might strengthen themselves. Also, to make consolidation and other steps smoother, we should study the possibility of assistance policies that will make the transition to other operations easier for subcontracting small and medium countries.

(3) Support for Maintaining, Upgrading Defense Industry's Technical Strength

As noted earlier, Japan should consider how to improve the level of both military and civilian technologies, based on the superior general use technology base, to exert a mutual spin-on/spin-off effect. From the viewpoint of strengthening the overall base of Japan's industrial technology, it is essential for us to plan ways to continue to promote the development of general technologies in the material industry and other industries connected to defense. Moreover, when it comes to the defense technology sector supported by a reinforced base, we need to maintain as many possibilities for development as possible. To this end, it is vital that the Defense Agency's technology development budget continue to be improved. Also, to make effective use of our limited R&D funds, it would be useful to study how to make effective mutual use of various research institutes and other facilities.

Also, along with the trend towards more high technology in regards to equipment, R&D on certain kinds of advanced equipment, compared to traditional research and development, we are facing new problems such as growing expenses and increasing sizes of projects. Under such circumstances, there are many difficulties involved in independent development, which means that from the standpoint of defense, in accord with the Japan-U.S. security system we should study the possibilities of international joint development as need dictates.

Finally, when it comes to international joint R&D and production, we should consider the possibilities based on prevailing conditions in Japan-U.S. joint development, the trends in major countries, and so on, and while also taking into account our stance on the possession and protection of intellectual property, and other considerations like the Three Principles on Arms Exports. One could say that this is certain to become an important question for the future.

North Korea

DPRK: KPA Official Says DPRK Took Measures 'To Deter' War

SK2404092696 *Pyongyang KCNA in English*
0919 GMT 24 Apr 96

[FBIS Transcribed Text] Pyongyang, April 24 (KCNA) — "It is only too natural that we took a self-defensive measure some time ago to deter a war beforehand and defend peace and security in face of the worst situation in which the outbreak of war has been made a matter of time on the Korean peninsula," said Vice-marshal Kim Yong-chun, chief of the General Staff of the Korean

People's Army [KPA], today in a report delivered at a national meeting to mark the day of the Army.

He reiterated the combat preparedness of the KPA to hold in check any sudden attack of the enemy in time and wipe them out by means of an immediate and annihilating counter-offensive.

He denounced the U.S. military conservatives for continuously bringing means of war including missiles and nuclear weapons into South Korea and its surroundings for war against the North, thus intentionally rendering the situation strained. "But, they are trying to shove off the responsibility for the strained situation on the Korean peninsula to the DPRK, charging it with posing 'missile threat'," he said, describing it as a preposterous act.

"In response to the acute situation prevailing in the country, the men and officers of the people's Army, youths, students and other people are filled with the fighting spirit to become sharp-edged bayonets, rifles and bombs and smash the enemy at a stroke once the respected supreme Commander Comrade Kim Chong-il issues an order," he said, declaring that "if the South Korean puppet clique persist in inciting division and confrontation and unleash a war defying the North's repeated warnings, our Army and our people will thoroughly annihilate the enemy and root out the source of war on the Korean peninsula."

DPRK: KPA Chief of Staff Calls Atmosphere 'Tense,' 'Acute'

SK2404105496 *Pyongyang Korean Central Broadcasting Network in Korean*
0703 GMT 24 Apr 96

[Report by Korean People's Army (KPA) Vice Marshal Kim Yong-chun, chief of the General Staff of the KPA, at a central report meeting marking the 64th anniversary of the founding of the KPA held at the 25 April Cultural Hall in Pyongyang — live]

[FBIS Translated Excerpt] [Passage omitted] Today our revolution's atmosphere is very tense and acute. The South Korean puppet clique, which desperately opposes the country's reunification, is intensively making a military move comparable to the one made on the eve of a war trying to find a way out of its fate of facing destruction from the provocation of a war, leading the situation to the dangerous brink of war. The South Korean puppet clique's war commotions are becoming more reckless with the instigation of U.S. extreme rightist conservative forces. It is preposterous that the U.S. military conservative forces are continuously bringing war means, such as missiles and nuclear

weapons, to South Korea and its surrounding region, aiming them at us, and intentionally aggravating the situation, and that, despite this, the United States is making an issue of our nonexistent missile threat, attempting to shift the blame onto us for the aggravation of tension on the Korean peninsula.

The U.S. bellicose forces and the South Korean puppet clique are viciously perpetrating maneuvers for military adventures against the Republic. For us to equip ourselves with modern weapons and beef up the country's defensive capability in the face of this situation is our right to self-defense.

In the face of the very grave situation, in which the breakout of war on the Korean peninsula is a matter of when, we have recently taken a self-defensive measure to prevent a war and defend peace and stability. This is very just. [applause]

Defending stability in the country and our socialist cause is the mission of the People's Army, and not only deterring any unanticipated aggression by the enemy at once but crushing the enemy by launching an (instant) and annihilating counterattack is our Army's traditional trait. [applause]

In response to the tense situation in the country, all officers and men of the People's Army, young people and students, and people in general are filled with an enemy-annihilating fighting spirit to become sharp-edged bayonets and scorching bullets and shells and mop up the enemy at a stroke if the respected and beloved supreme commander gives an order.

Defending Comrade Kim Chong-il, the respected and beloved supreme commander, under any circumstances and completing the chuche revolutionary cause to the end is the unchanging resolve and will of all officers and men of the People's Army and people. [applause]

If the South Korean puppet clique continuously inspires division and confrontation and ignites the fuse of a war after all despite our repeated warnings, our Army and people will thoroughly annihilate and mop up all of the enemy [wonsudurul hannomdo namgim opsi cholchohui kyongmyol sotanghago] and completely remove causes for war from the Korean peninsula. [applause]

Many obstacles are still ahead in our nation's struggle to defend peace in the country and achieve the cause of reunification through great national unity. However, as long as there is wise leadership in the party, the nation has a common program on struggle, and the entire nation has a firm will to achieve reunification, the cause of the fatherland's reunification will be achieved without fail. [applause]

Our revolutionary cause is just, and our victory is certain. [applause]

Our people and soldiers of the People's Army, who are flying the sacred red banner of Paektu under the great party's mature and tested leadership and resolutely fighting with the revolutionary outlook on life and belief that they should live today for the sake of tomorrow, are ever-victorious, and no force in the world can stop the solemn march of our revolutionary ranks in which the leader [suryong], party, and masses are in perfect harmony. [applause]

Let us all strongly unite around the party Central Committee and vigorously fight to achieve victory in the socialist cause and the independent, peaceful reunification of the fatherland. [applause]

Long live the revolutionary ideology of Comrade Kim Il-song, the great leader of our party and our people! [applause]

Long live the honorable Workers Party of Korea, the organizer and leader [hyangdoja] of all victories of the Korean people! [applause]

DPRK: KPA Will Not Allow Provokers To 'Get Off Scot-free'

*SK2504043496 Pyongyang KCNA in English
0415 GMT 25 Apr 96*

["Any Provoker Will Never Get Off Scotfree," NODONG SINMUN Says" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, April 25 (KCNA) — Anyone who pounces upon us will never get off scotfree, no matter where he is in the earth.

NODONG SINMUN says this today in an editorial dedicated to the 64th anniversary of the heroic Korean People's Army (KPA).

The present situation of the Korean revolution is very difficult and complex, the editorial notes, and says:

The entire men and officers of the People's Army commemorating its foundation day are filled with unshakable determination to decisively crush the aggressive moves of the enemy and defend the revolutionary cause of chuche by force of arms, rallied closer around Comrade Kim Chong-il, the respected supreme commander.

Today's KPA is a dignified and strong, revolutionary army led by the respected Comrade Kim Chong-il, the ever-victorious, iron-willed brilliant commander.

Our People's Army armed with his idea on military strategy has been fully prepared strategically and tactically to cope with any emergency situation.

It is the spirit of our army to answer sword with rifle, rifle with gun, "retaliation" with retaliation, and total war with total war.

It has a powerful strength enough to defeat any formidable enemy at one stroke in any place and at any time.

There is no limit to its military power.

Our revolutionary Armed Forces' mission is not confined only to defence. Those who are provoking us will not get off scotfree in any part of the world.

It is the unshakable will of our Armed Forces to crush the bulwark of the enemy and uproot the source of war.

MINJU CHOSON also carries an editorial on this occasion.

It declares that no force on earth can block the road of our people's army, which is victoriously advancing thanks to the strategy and courage of the great brilliant commander.

DPRK: South Korea's Apr 'War Exercises' Denounced

SK2504042896 *Pyongyang KCNA in English*
0420 GMT 25 Apr 96

[FBIS Transcribed Text] Pyongyang, April 25 (KCNA) — The South Korean puppets staged war exercises of more than 990 fighter planes aimed at making a surprise attack upon the strategical targets on the east and west coasts of the northern half of Korea on April 20 and 22, according to military sources.

On April 22, transport planes of the puppet army launched an airlifting operational training simulating infiltration into strategical indepth areas of the North in the sky above the western sector of the front, dropping "commandoes."

On the 20th and 22nd, 105 mm artillery groups of the puppet army occupied positions in the western sector of the front and concentrically fired more than 250 shells toward forefront.

The Kim Yong-sam group are now frantically trying to find a way out of their catastrophic crisis in confrontation with and war against the DPRK.

They must act with discretion, clearly mindful that their moves will only precipitate their own destruction.

DPRK: Daily Lauds Kim Yong-sam 'Ignominious Defeat' in Elections

SK2504074796 *Pyongyang KCNA in English*
0409 GMT 25 Apr 96

["NODONG SINMUN Flails Traitor Kim Yong-sam's Remarks" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, April 25 (KCNA) — The traitor Kim Yong-sam, at a "meeting of Chongwadae senior secretaries," made shameless and ridiculous remarks that the recent "election results" represent the people's "trust and encouragement" to them and they will do their utmost for "improvement of people's livelihood", says NODONG SINMUN in a commentary today.

The traitor Kim Yong-sam's "New Korea Party" suffered an ignominious defeat in the 15th "National Assembly" election by winning far fewer than 150 seats, its minimum target, the commentary says, and continues:

It is none other than the traitor Kim Yong-sam, who has turned South Korea into a wasteland of independence and democracy worse than during the former military dictatorship under the signboard of "reform". He plunged the economy into an abyss of total ruin and went so far as to invent such a new term as "sharing of hardships", thus impoverishing the livelihood of the working people.

The hypocritic utterances of the traitor, who is forsaken by the people, that he will do something for them are the height of shamefulness as well as a mockery of and insult to the people.

No matter what gamut of tricks the traitor Kim Yong-sam may apply, making a bluff, he cannot extricate himself from the wretched position of a underdog, who is driven out on the verge of destruction by people's resentment.

DPRK: SKNDF Calls For 'Anti-Kim Yong-sam Struggle'

SK2404114096 *Pyongyang KCNA in English*
0915 GMT 24 Apr 96

[FBIS Transcribed Text] Pyongyang, April 24 (KCNA) — The spokesman for the National Democratic Front of South Korea (NDFSK) [SKNDF] made public a statement on April 18 on the lapse of 36 years since the April 19 popular uprising took place, according to radio Voice of National Salvation from Seoul.

Pointing out that the desire of the April 19 uprising ardently shouted by martyrs has been ruthlessly violated

by the fascist group of traitors and its valuable fruition has been misused as playthings of political charlatans going against the will of the people, the spokesman said:

It is ridiculous of the traitor Kim Yong-sam to talk about "inheritance of the spirit of the April 19 uprising."

It goes without saying that with Kim Yong-sam left intact in power, the desire of the April 19 uprising can neither be realized nor can the nation extricate itself from the danger of nuclear war which will kill all the Korean nation.

It is high time that the second April 19 uprising, the second May 18 resistance, was urgently called for.

We must rise up, mindful of the lessons of the April 19 and May 18 movements that independence, democracy and reunification cannot be achieved without the struggle against dictatorship and the United States, and thereby show the stamina and will of the people in an extensive anti-Kim Yong-sam struggle.

All the people must combine their desire for democracy and their aspirations for independent reunification with an anti-U.S., anti-Kim Yong-sam struggle and turn out in a nationwide struggle to build an independent and democratic government. By doing so, they must certainly complete the April 19 uprising with the victory of democratic and patriotic forces.

DPRK: South Koreans Decry Election Campaign's 'Evil Practices'

*SK2504075096 Pyongyang KCNA in English
0438 GMT 25 Apr 96*

[FBIS Transcribed Text] Pyongyang, April 25 (KCNA) — 97 public officials of South Korea made public a declaration of situation to be sent to the 15th "National Assembly" and ruling and opposition politicians, a Seoul-based radio said.

Prof. Son Pong-ho at Seoul National University, President of the Songgyungwan Academy Choe Kun-tok and others in the declaration charged that the "general election" culminated in invigorating such deep-seated evil practices as serious local separatism, factional competition and distribution of valuables.

They held that legal action should be taken against all "election" frauds and the politicians should repent of guilty acts committed during the "election".

DPRK: PRC Friendship Delegation Arrives in Pyongyang

*SK2404114396 Pyongyang KCNA in English
0923 GMT 24 Apr 96*

[FBIS Transcribed Text] Pyongyang, April 24 (KCNA) — A delegation of the Chinese People's Association for Friendship with Foreign Countries and the China-Korea Friendship Association led by Vice-president of the associations Xu Qun arrived here today.

DPRK: PRC Guests Visit Kim Il-song Statue 24 Apr

*SK2504074496 Pyongyang KCNA in English
0416 GMT 25 Apr 96*

[FBIS Transcribed Text] Pyongyang, April 25 (KCNA) — The delegation of the Chinese People's Association for Friendship With Foreign Countries and the China-Korea Friendship Association led by its Vice-President Xu Qun visited the statue of the Great Leader President Kim Il-song on Mansu Hill on April 24.

They laid bouquets of flowers and made bows before it.

DPRK: WPK, Mexican Workers' Party Delegations Hold Talks

*SK2404114196 Pyongyang KCNA in English
0921 GMT 24 Apr 96*

[FBIS Transcribed Text] Pyongyang, April 24 (KCNA) — Talks were held between the delegations of the Workers' Party of Korea [WPK] and the Mexican Workers' Party here today.

Present there were Hyon Chun-kuk, department director of the WPK Central Committee, and officials concerned and the members of the delegation of the Mexican Workers' Party led by Alberto Anaya Gutierrez, member of the Coordination Commission of the National Political Commission of the party who is the leader of the party.

At the talks both sides informed each other of their party activities and the situation of their countries and discussed the matter of further strengthening and developing the friendly relations between the two parties and the two peoples.

The talks proceeded in a friendly atmosphere.

DPRK: Kim Chong-il Receives Gift From Bangladesh Communist Leader

*SK2504075296 Pyongyang KCNA in English
0434 GMT 25 Apr 96*

[FBIS Transcribed Text] Pyongyang, April 25 (KCNA) — The Great Leader Comrade Kim Chong-il received

a gift from Dilip Barua, general secretary of the Central Committee of the Communist Party of Bangladesh (Marxist-Leninist).

The gift was handed to the head of the delegation of Korean social scientists on a visit to Bangladesh by the general secretary on April 18.

He said that the wonderful achievements made by the Workers' Party of Korea under the outstanding leadership of Comrade Kim Chong-il are inspiring the present world socialist movement with the courage and conviction of rebirth.

DPRK: Kim Yong-nam Greets New Sierra Leone Foreign Minister

SK2504075196 Pyongyang KCNA in English
0435 GMT 25 Apr 96

[FBIS Transcribed Text] Pyongyang, April 25 (KCNA) — Foreign Minister Kim Yong-nam sent congratulations to Maigore Kallon upon his appointment as foreign minister of the Republic of Sierra Leone.

He in the telegram expressed the belief that the friendly relations between the two countries would continue to develop on good terms in the future, too.

DPRK: Kim Yong-nam Meets With New Colombian Ambassador

SK2404114296 Pyongyang KCNA in English
0922 GMT 24 Apr 96

[FBIS Transcribed Text] Pyongyang, April 24 (KCNA) — Vice-Premier and Foreign Minister of the DPRK Kim Yong-nam today met and had a talk with Alvaro Escalon Villa, newly appointed Colombian ambassador to the DPRK, who paid a courtesy call on him.

DPRK: Sierra Leone Independence Anniversary Marked

SK2504074996 Pyongyang KCNA in English
0418 GMT 25 Apr 96

[FBIS Transcribed Text] Pyongyang, April 25 (KCNA) — A meeting was held in Pyongyang on April 24 under the sponsorship of the Korea-Sierra Leone Friendship Association on the occasion of the 35th anniversary of the independence of Sierra Leone.

A speech was made at the meeting.

A message of greetings to the Sierra Leonean president was adopted there.

DPRK: Togo's 36th Independence Anniversary Marked

SK2504074896 Pyongyang KCNA in English
0417 GMT 25 Apr 96

[FBIS Transcribed Text] Pyongyang, April 25 (KCNA) — The Korea-Togo Friendship Association hosted a meeting in Pyongyang on April 24 on the occasion of the 36th anniversary of the independence of Togo.

A speech was made at the meeting.

A message of greetings to the Togolese president was adopted there.

DPRK: Kim Il-song's Birth Anniversary Commemorated Abroad

SK2404113896 Pyongyang KCNA in English
0859 GMT 24 Apr 96

[FBIS Transcribed Text] Pyongyang, April 24 (KCNA) — The birth anniversary of the great leader President Kim Il-song was commemorated in different countries.

Commemoration meetings took place at the conference hall of the Political Bureau of the Central Committee of the Socialist Party of Senegal, an auditorium of the economic college in Senegal, the building of the Central Committee of the Belgian Labour Party, the Karachi branch of the Pakistan-Korea Friendship Association, and the Lugazi branch of the Uganda—the Democratic People's Republic of Korea Friendship Association between April 9 and 13.

Speakers at meetings said:

President Kim Il-song was the outstanding leader of the world, father of the Korean people and the sun of the cause of global independence, who performed great exploits for the country and the people and for the human cause of independence.

The immortal feats of President Kim Il-song will be kept forever in the hearts of the Korean people and the progressive people of the world along with his august name.

Seminars, lectures, film shows, photo exhibitions and other events were held by the Togolese Fellowship Society to honour the memory of President Kim Il-song, the General Students Union of Yemen, the national leadership of the Socialist People's Youth of Mexico, the Ostfold Provincial Committee of the Norwegian Communist Party, in Bucharest, Romania, at the Bazel Labour Hall in Switzerland, by the Zairean Youth Group for the Study of the Chuche Idea, in Plovdiv city, Bulgaria, and Lome, Togo, by the group for the study of the chuche idea of Comrade Kim Il-song of West La Penitence.

Georgetown, Guyana, the Progressive Literati Union of Yugoslavia, the Chuche Idea Study Society of Delhi, India, the Angolan Party of Communists, the Social Communist Party and the Democratic Progress Unity Party of Angola, the National University of Benin and in many other countries.

DPRK: Report on 'National Meeting' Marking KPA Anniversary

*SK2404105796 Pyongyang KCNA in English
1014 GMT 24 Apr 96*

[FBIS Transcribed Text] Pyongyang, April 24 (KCNA) — A national meeting was held at the April 25 House of Culture today to celebrate the 64th anniversary of the heroic Korean People's Army (KPA), the revolutionary armed forces of the Workers' Party of Korea.

Placed on the platform were portraits of the great leaders President Kim Il-song and Comrade Kim Chong-il.

The meeting was attended by Yi Chong-ok, Kim Pyong-sik, Choe Kwang, Kim Yong-nam, Kye Ung-tae, Chon Pyong-ho and other senior party and state officials, servicemen, working people and members of delegations and visiting groups of the General Association of Korean Residents in Japan staying in the socialist homeland.

Vice Marshal Kim Yong-chun, chief of the KPA General Staff, made a report at the meeting under the title "Let Us Fully Display the Invincible Might of Our People's Army".

The reporter said:

On April 25, 1932, 64 years ago, the great leader Comrade Kim Il-song founded the Korean People's Revolutionary Army. It was a historic event that marked an occasion of an epochal turn in the revolutionary struggle of the Korean people, and a great auspicious event of the entire nation.

The Korean People's Army is the glorious, revolutionary armed forces of the Workers' Party of Korea, which have registered heroic feats of victory, stoutly inheriting the lineage of chuche, under the guidance of great leaders and great brilliant commanders over 60 odd years since its foundation.

From the very day of its foundation, our revolutionary armed forces could cover a militant course full of victories and glory because they were led by Comrade Kim Il-song. And they have strengthened and developed into a matchlessly strong army which has always won victory in the acute confrontation with enemies, because they have their supreme commander in the person of the great brilliant Commander General Kim Chong-il.

He stressed that the People's Army is a proud Army that has been blessed with leaders and brilliant commanders generation after generation, and an invincible Army that has followed a glorious road of struggle with victory under the leadership of great leaders and great commanders.

Comrade Kim Il-song put forward the self-reliant military line of the Workers' Party of Korea, strengthened the People's Army into the one with invincible force, firmly established the system of leadership over the Army for brilliantly accomplishing the chuche cause of army building generation after generation and thus provided a decisive military guarantee for inheritance and completion of the revolutionary cause of chuche.

The chuche cause of army building started and developed in depth by Comrade Kim Il-song is in the prime of development under the outstanding and tested leadership of the respected Supreme Commander Comrade Kim Chong-il.

Thanks to Comrade Kim Chong-il, who is possessed of iron will, unparalleled courage, extraordinary strategy and outstanding leadership ability, the People's Army is firmly defending the chuche socialist homeland without vacillation even in the complex military and political situation and gaining continuous victories even in severe Cold War with the imperialists.

His on-the-spot guidance and inspection at the People's Army units and posts on the front last and this years were significant events which opened an epochal change in combat preparedness and strengthening of combatability of the People's Army.

We feel reassured as Comrade Kim Chong-il stands in the van of the Workers' Party of Korea and our revolutionary armed forces. Our strength is inexhaustible because we have an invincible army which can defeat any imperialist aggressor at a blow and firmly defend the socialist motherland.

The reporter quoted Comrade Kim Chong-il saying:

"The People's Army is the revolutionary armed forces of our party and its mission is to ensure the party's revolutionary cause by force of arms."

The reporter continued:

The people's army must fulfill its honorable mission in accomplishing the chuche revolutionary cause under the leadership of the party in the future, too, as it reliably defended our revolution with heroic struggle in the past.

All the servicemen must firmly defend and add luster to the immortal exploits of the great General Kim Chong-il

for army building with a firm confidence that they will surely win victory, led by him.

They also must thoroughly establish the party's leadership system in the People's Army so that with a revolutionary military discipline and spirit, the Army can carry out the orders and instructions of the supreme commander without fail through thick and thin.

The situation of our revolution is very strained and acute.

The South Korean puppet clique, who doggedly hamper the country's reunification, are trying to find a way out of their crisis in provocation of war and bringing the situation to the brink of war with extensive military movements strikingly similar to the eve of war. Their war hysteria is getting more reckless at the instigation of the extreme right-wing conservatives of the United States.

The U.S. military conservatives are continuously bringing means of war including missiles and nuclear weapons into South Korea and its surroundings for war against the North, thus intentionally rendering the situation strained. But, they are outrageously trying to shove off the responsibility for the strained situation on the Korean peninsula to the DPRK, charging it with posing "missiles threat."

It is only too natural that we recently took a self-defensive measure to deter a war beforehand and defend peace and security now that the outbreak of a war on the Korean peninsula is a matter of time.

The mission of the KPA is to defend the security of the country and the socialist cause. The KPA is prepared to hold in check any sudden attack of the enemy in time and wipe them out by means of an immediate and annihilating counteroffensive.

To cope with the acute situation prevailing in the country, the men and officers of the KPA, youths, students and other people are filled with the fighting spirit to become sharp-edged bayonets, rifles and bombs and smash the enemy at a stroke once the respected supreme commander issues an order.

If the South Korean puppet clique persist in inciting division and confrontation and ignite a war defying the North's repeated warnings, our Army and people will wipe them out to the last man and root out the source of war on the Korean peninsula.

DPRK: People's Armed Forces Ministry Holds Evening Gala 24 Apr

SK2504045296 Pyongyang KCNA in English
0425 GMT 25 Apr 96

[FBIS Transcribed Text] Pyongyang, April 25 (KCNA) — The Ministry of the People's Armed Forces arranged an evening gala at Chonsung Square in Pyongyang on April 24 on the occasion of the 64th anniversary of the founding of the heroic Korean People's Army.

Present were KPA Vice Marshal Cho Myong-nok, director of the General Political Department of the KPA, KPA vice Marshal Kim Yong-chun, chief of the General Staff of the KPA, and others.

Young artistes and People's Army soldiers gave a joint art performance.

The performers sang of their great honor and pride of demonstrating to the whole world the stamina of Socialist Korea in singlehearted unity of the army and the people, holding Comrade Kim Chong-il in high esteem as the great brilliant commander of the Revolutionary Armed Forces.

The soldiers expressed their deep reverence for and trust in Comrade Kim Chong-il, an ever-victorious, iron-willed brilliant commander, who took a measure to institute the foundation day of the People's Army as a national holiday.

The participants showed through their rhythmic dances what they have grown up to be soldiers each of whom is a match for a hundred foes.

KPA units stationed in Pyongyang had a march-past at Chonsung Square on April 24.

DPRK: Commercial Councillors Honor Kim Chong-il on KPA Day

SK2504074696 Pyongyang KCNA in English
0410 GMT 25 Apr 96

[FBIS Transcribed Text] Pyongyang, April 25 (KCNA) — The great leader Comrade Kim Chong-il received a floral basket and a congratulatory letter from the corps of foreign economic and commercial councillors here on the occasion of the 64th anniversary of the foundation of the Korean People's Army [KPA].

They were handed to an official concerned by doyen of the corps Yevgeny Bilim, trade representative of the Russian Federation, on April 24.

DPRK: People's Armed Forces Ministry Fetes Military Attaches

*SK2504075396 Pyongyang KCNA in English
0422 GMT 25 Apr 96*

[FBIS Transcribed Text] Pyongyang, April 25 (KCNA) — The ministry of the People's Armed Forces hosted a cocktail party on April 24 on the occasion of the 64th anniversary of the foundation of the heroic Korean People's Army.

Present on invitation were military attaches of foreign embassies in Pyongyang.

Present were Vice Marshal of the KPA Kim Kwang-chin, first vice-minister of the People's Armed Forces, KPA generals and officers.

Speeches were exchanged there.

DPRK: 'Virtues' of Army, People Unity Described

*SK2404113996 Pyongyang KCNA in English
0911 GMT 24 Apr 96*

[FBIS Transcribed Text] Pyongyang, April 24 (KCNA) — Army and people love and help each other like kinship. Such virtues have been brought into full play in Korea.

Kim Song-nam, Sin Myong-ho and Yi Kwan-nam, who are serving at the Choe Chong-sik unit of the Korean People's Army [KPA], on February 5 saved people from danger by displaying self-sacrificing spirit.

They rescued 16 fishermen when their boat was wrecked by high waves, while engaging in fishing. The rescue work lasted 9 hours. After the fishermen were saved, the servicemen did all they could until the victims were fully recovered.

Han Yong-chun and Pak Song-ho, servicemen of the Yi Kun-yong Unit of the Korean People's Army, saved children from a firing house near their unit last October, while on their duty. Han Yong-chun got seriously burned in his body. Villegers called on him at hospital with medicines good for burns and medical workers donated him their blood and skin-grafts.

Thanks to their devotion he was fully recovered and went back to the unit.

The traits of army-people unity in Korea traced their origin to the period of the anti-Japanese revolutionary struggle organized and led by the great leader President Kim Il-song. They were further consolidated and developed in the period of the fatherland liberation war and have been kept into the fullest bloom ever in history.

Comrade Kim Chong-il, supreme commander of the Korean People's Army, regarding army-people unity as

very important for increasing the might of the People's Army in every way and defending the Korean-style socialist system centred on the popular masses, has guided the traits to be displayed on a high level.

When Sinuiju was hit by flood last year, he gave an emergency order to units of KPA to save the inhabitants and their property.

Helicopters, amphibians and means of transport were mobilized to protect the lives and property of the people.

The soldiers of the KPA, guided by the respected supreme commander, have given full play to the traditional traits of army-people unity and reliably defended the single-hearted unity of the Korean revolution.

DPRK: Yi Chong-ok, Officials, Soldiers, Workers Honor Kim Il-song

*SK2504085096 Pyongyang KCNA in English
0638 GMT 25 Apr 96*

[FBIS Transcribed Text] Pyongyang, April 25 (KCNA) — Floral baskets were laid before the statue of the Great Leader President Kim Il-song on Mansu Hill by senior party and state officials, servicemen of the People's Army, working people, school youth and children, Koreans overseas and foreigners today on the occasion of the 64th founding anniversary of the heroic Korean People's Army.

Laid before the statue was a floral basket sent by the Great Leader Comrade Kim Chong-il, chairman of the National Defence Commission of the Democratic People's Republic of Korea and supreme commander of the KPA.

Participating in the ceremony for laying floral baskets were Vice-President Yi Chong-ok, Politburo member of the WPK Central Committee, Vice-President Kim Pyong-sik, chairman of the C.C. [Central Committee], Korean Social Democratic Party and senior party and state officials.

Floral baskets were laid in the name of the WPK Central Committee, the DPRK Central People's Committee, the Administration Council, anti-Japanese revolutionary fighters, joint organization of the Korean Children's Union, the Ministry of the People's Armed Forces, the Ministry of Public Security, units of the KPA and the Korean People's Security Forces, commissions and ministries of the Administration Council, political parties, social organizations, central organs, organs of science, education, culture and art, public health and the press and party, power, administrative and economic bodies, public organizations, factories and enterprises in Pyongyang.

Floral baskets were also laid in the name of delegations and home-visiting groups of Koreans overseas and foreign military attaches' corps in Korea.

People's Army servicemen, working people and school youth and children laid floral baskets and bouquets before the statue.

The participants made bows in reverence for President Kim Il-song, looking back upon his revolutionary feats for the cause of army building and the cause of independence against imperialism.

Floral baskets were laid before statues of President Kim Il-song throughout the country today by servicemen of the People's Army, working people and school youth and children.

South Korea

ROK: DPRK Reportedly Delays Talks Over Return of U.S. Remains

SK2504110596 Seoul HANGUK ILBO in Korean
25 Apr 96 p1

[FBIS Translated Text] It was learned on 24 April that North Korea had unilaterally informed the United States it would delay North Korea-U.S. negotiations, slated for 25 April in New York, on returning the remains of U.S. soldiers missing since the war. Because of this decision, people are concerned over North Korea's intentions.

ROK: Tongduchon To Ask USFK To Compensate for Fire Victims

SK2504035896 Seoul THE KOREA TIMES in English
25 Apr 96 p 3

[FBIS Transcribed Text] Tongduchon, Kyonggi-to — The city administration here has decided to seek compensation from the U.S. Forces in Korea [USFK] for seven people killed putting down a brush fire in a mountain near an U.S. Army shooting range.

Brigadier Gen. Dan McNeill, assistant commander of the U.S. 2nd Infantry Division, visited the city hall and met Mayor Pang Chae-hwan to express his condolences to the families of the victims with a promise to pay for damages the U.S. Army was responsible for.

In the meeting, Mayor Pang said that he regretted the delay in participation by the U.S. Army in the efforts to control the fire, adding that the brush fire will not adversely affect the friendship between the U.S. Army and the frontline Community.

The U.S. general also visited the Uijongbu Medical Center where the bodies temporarily remain awaiting funeral ceremonies, paying his respects and consoling the bereaved families.

The dead included a city forestry manager Yi Kang-uk, 38, and six "public servicemen" or young persons in their early 20s who were performing community services in lieu of active military duty.

They met their tragic death while fighting the fire. It is presumed that capricious cross winds caught them off guard and they suffocated to death. Public servant Yi is entitled to compensation of 117 million won as stipulated in regulations on the death of public servants while performing official duties.

The compensation for the other six is not as clear cut as Yi's. There is no precedent for compensating the families of public servicemen who are killed in the line of duty since the system was quite recently introduced. A funeral service for Yi will be held today sponsored by the city mayor. The ceremonies for the other six will be performed as soon as compensation for them is worked out.

A joint team of Korean police and U.S. military investigators are trying to nail down the cause of the fire. Police said and the USFK confirmed that a U.S. Army unit was practicing smoke shell firing when the fire broke out.

Meanwhile, USFK said that it is too early to discuss who has to compensate whom at the moment since the cause of the fire has yet to be determined.

"If the USFK proves to be responsible for the fire and the damages caused by it, we will pay compensation in proportion to our responsibility in accordance with the Status of Forces Agreement," a USFK spokesman said.

ROK: DPRK Figures Visit U.S. in Preparation for Olympics

SK2504042196 Seoul YONHAP in English
0119 GMT 25 Apr 96

[FBIS Transcribed Text] Washington, April 24 (YONHAP) — North Korean officials are visiting here one after another in an apparent attempt to form cooperative ties between Pyongyang and Washington.

Chang Ung, secretary of the North Korean National Olympic Committee, and Yi Chong-hyok, a vice director of the Workers' Party Central Committee, will soon arrive to meet with U.S. officials, sources here said Thursday.

Chang will visit Atlanta, the venue for the 26th Olympics, this weekend to meet senior Olympic organizing committee officials and visit the Carter Center. He will also visit the U.S. capital before returning to Pyongyang.

North Korea has asked the Atlanta Olympic Organizing Committee to provide the North Korean Olympic team with financial support so that they will be able to participate in the July Summer Games.

Yi Chong-hyok, vice director of the Workers' Party Central Committee, is scheduled to participate in a seminar on the Korean Peninsula situation that will be held at the Carter Center this weekend, and meet U.S. State Department officials in Washington May 1, according to sources here.

Kim Chong-u, vice chairman of the External Economy Commission, is already here for a seminar at George Washington University, while Kim Chol-nam and Kim Yol, researchers from the disarmament and peace institute, returned to Pyongyang Tuesday after participating in a seminar at the Center for Strategic and International Studies.

ROK: DPRK Delegation To Visit Atlanta, Meet Business Leaders

SK2504041996 Seoul YONHAP in English
0123 GMT 25 Apr 96

[FBIS Transcribed Text] Seoul, April 25 (YONHAP) — A North Korean delegation now visiting the United States to attend a seminar on Korean issues sponsored by the Jimmy Carter Center is expected to meet U.S. industrial and media leaders after the seminar, a diplomatic source here said Thursday.

The delegation is headed by Yi Chong-hyok, a vice director of the Workers' (Communist) Party Central Committee.

"I understand that they are planning to make contact with leaders from CNN and Coca Cola, which are both headquartered in Georgia, after the seminar closes," he said on condition of anonymity.

In these meetings, the North Koreans will discuss matters related to U.S. corporate investment in North Korea, he added.

CNN is considering opening a Pyongyang Bureau and Coca Cola is also interested in doing business in the communist country.

During their meeting with Coca Cola leaders, the North Koreans will also discuss North Korea's participation in the Atlanta Olympics and possibility of the American firm providing financial assistance so that the North Korean delegation can participate in the Summer Olympic Games, he remarked.

CNN sent a news team to North Korea last February to report on the country's flood damage, and Yi escorted the CNN team during its tour of the flood-stricken areas.

ROK: Japanese TV Views 'Secret Inter-Korean' Talks

SK2504005496 Seoul YONHAP in English
0015 GMT 25 Apr 96

["'Secret Inter-Korean Contact Underway on Four-Party Talks': NHK" -- YONHAP headline]

[FBIS Transcribed Text] Tokyo, May 25 (YONHAP) — South and North Korea are secretly contacting each other to discuss the proposed four-country talks for a permanent peace on the Korean Peninsula and will come to a conclusion in three or four days, the NHK-TV reported Thursday quoting a senior U.S. Administration official.

The official was quoted as telling NHK that Pyongyang, in response to the proposal for quadripartite talks, is negotiating with Seoul in absolute secrecy, and that the results of the contact will come out in the South shortly.

Even though earlier reports indicated that the United States briefed the North about the peace offer on behalf of South Korea, NHK said, it is the first time that the secret inter-Korean negotiations on the offer have been disclosed.

ROK: NHK-TV Report on 'Secret Inter-Korean Contact' Denied

SK2504021296 Seoul YONHAP in English
0201 GMT 25 Apr 96

[FBIS Transcribed Text] Seoul, April 25 (YONHAP) — The National Unification Ministry [MNU] denied Thursday the Japanese NHK-TV report that South and North Korea are secretly contacting each other to discuss the proposed four-country talks for permanent peace on the Korean Peninsula.

"We have no knowledge about the reported secret inter-Korean contact," a ministry spokesman said.

Quoting a senior U.S. Administration official, the Japanese network said that Pyongyang, in response to the proposal for the quadripartite talks, is negotiating with Seoul in absolute secrecy, and that the results of the contact would be shortly revealed in the South.

ROK: PRC Official Emphasizes Direct N-S Talks

SK2504023796 Seoul THE KOREA TIMES in English
25 Apr 96 p 2

[By staff reporter Son Ki-yong]

[FBIS Transcribed Text] Seoul and Beijing yesterday reached a consensus that South and North Korea should play the role of protagonists in the proposed four-way

talks designed to create a peace regime on the Korean Peninsula.

"With regard to the four-party meeting, we shared the belief that South and North should first agree on it and play the main role in the establishment of a peace system," Deputy Foreign Minister for Policy Planning Cho Won-il told reporters after a policy consultation meeting with a Chinese delegation, led by Zheng Jinjong, director of the Foreign Ministry's Department of Policy Research.

On April 16, Presidents Kim Yong-sam and Bill Clinton proposed in a summit on the southern resort island of Cheju that South Korea, North Korea, the United States and China meet to discuss a peace system to replace the 1953 Armistice Agreement, already in tatters following a series of North Korean attempts to scrap it.

Even though it expressed support for the four-way talks, Beijing has not yet declared its intention to participate, noting that it will formally express its plan after North Korea first responds to the overture.

China, which feels any regional conflict would hamper its unprecedented economic growth in recent years, promised to play a constructive role for peace and security in East Asia.

"Particularly, China stressed that peace and security in East Asia should be ensured to maintain the momentum of vigorous economic development in this region," Cho said.

North Korea has not yet given a definite yes or no to the plan and only said that it was studying the real intentions of the United States.

The two countries also agreed that a "peace maintenance and management system" on the Korean Peninsula should be prepared on a long-term basis.

China opines that Seoul should not push ahead impatiently with the establishment of a peace system on the Korean Peninsula as there is no channel of dialogue between South and North Korea.

Cho said that China would play a significant role in persuading North Korea to accept the overture as it has maintained various channels of dialogue with Pyongyang.

The two countries also shared the view that despite conflicting territorial claims and other security problems, "cooperation" is the main stream of regional affairs, as witnessed in the ASEAN Regional Forum (ARF) and the Asia-Europe Meeting (ASEM), he said.

With regards to North Korean leader Kim Chong-il's recent activities, the Chinese delegation noted that Kim

is facing no major health problems as he has appeared in public events frequently and recently reshuffled ranking military officers, Cho said.

During the five-day visit, Zheng, former ambassador to Finland, and other Chinese delegates are scheduled to visit the Korea Development Institute (KDI), Pohang Iron & Steel Co. and Hyundai Motors Co.

ROK: Switzerland Supports 'Four-Nation Talks'

SK2504085196 Seoul YONHAP in English
0730 GMT 25 Apr 96

[FBIS Transcribed Text] Seoul, April 25 (YONHAP) — Switzerland expressed its support Thursday for the four-nation talks suggested by South Korea and the United States last week to discuss a permanent peace agreement for the Korean Peninsula, Foreign Ministry spokesman So Tae-won said.

Switzerland expressed its support for the peace talks at a policy coordination meeting between European Affairs Bureau Director General Cho Chang-pom and Cho's Swiss counterpart Heinrich Reimann, the spokesman said.

Cho and Reimann also discussed ways to strengthen cooperation between the two countries in maintaining the Korean Armistice Treaty, according to So. Switzerland is a member of the Neutral Nations Supervisory Commission which oversees implementation of the treaty.

Reimann is scheduled to visit Pyongyang Saturday for four days and Foreign Ministry officials expect him to play a constructive role in persuading the North to respond positively to the quadripartite peace talks.

During the talks, the two sides also agreed to hold a policy coordination meeting on a regular basis.

ROK: North Koreans' Whereabouts 'Remain Unknown'

SK2504085296 Seoul YONHAP in English
0646 GMT 25 Apr 96

[FBIS Transcribed Text] Seoul, April 25 (YONHAP) — The whereabouts of most North Koreans who have been mentioned in Amnesty International's [AI] human rights reports remain unknown since first coming to the attention of the human rights watchdog, according to a recent report.

The human rights body's North Korea report published December 24, 1995 cited examples Choe Yontan, who was deported to the North from Moscow in August 1994, Yi Sung-nam who was captured by North Korean security agents in Tashkent, Uzbek, in 1994, Choe Kyong-ho, who was referred to his superiors at a

Siberian logging site on March 24, 1995, and the Hwang brothers who were taken to Sinuiju, North Korea, in June 1995.

Many potential North Korean informers who have spoken to Amnesty in the past are now wary of contacting and sometimes even refuse to meet its representatives, the report said.

Some North Korean sources of human rights and political prisoner information have specifically requested that Amnesty not reveal their identities, according to the report.

North Koreans living abroad are coerced by North Korean security authorities into not discussing the status of human rights in their home country, and in some instances they are subject to threatening remarks concerning the safety of their family members at home.

As a result, some North Koreans that contact AI are apprehensive about their own safety and that of their families, while others talk about their concerns for the safety of the loved ones they left behind in the North, the report added.

ROK: Defecting Financier: Kim Chong-il Has \$2 Billion Slush Fund

SK2504032496 (Internet) The Chungang Ilbo WWW in English 25 Apr 96

[FBIS Transcribed Text] Choe Se-ung (35), a North Korean defector, stated that North Korea's de-facto leader, Kim Chong-il, is reportedly hiding slush funds worth about 1-2 billion dollars in banks in Switzerland, Hong Kong and Austria under other peoples' names.

Choe, a son of North Korea's former chief in charge of the nation's finance and economy, defected to Seoul last December with his wife Sin Yong-hui. Choe reported in an exclusive interview with The CHUNGANG ILBO that "Kim Chong-il's slush funds, estimated at a total of 1-2 billion dollars, are being managed by Secretary Kwon Yong-nok and his wife." This is the first time that the circumstances behind the accumulation and the management of Kim Chong-il's slush funds have been revealed.

ROK: Defector Says Kim Chong-il 'Has Absolute Control' Over Armed Forces

SK2504041196 (Internet) The Digital Choson Ilbo WWW in English 1222 GMT 24 Apr 96

[FBIS Transcribed Text] North Korean President Kim Chong-il has absolute control over the North Korean Armed Forces, according to North Korean defector, Cha Song-kun, former agent for the Labor Department's Op-

erations Department, in an announcement on Wednesday. In an interview with The CHOSON ILBO, Cha revealed that Kim has appointed his followers to important army positions, and exercises direct control over every aspect of the military.

According to Cha, he received training about the South by working with a replica of sites one might find in South Korea. The replica, which is 3m X 8m X 4km, includes a tea house, a hotel, an express bus terminal, a theater, army barracks, and a restaurant. All the materials used in the replica are from South Korea, and guides are from the South as well. The replica is housed in a tunnel in Yongsong District in Pyongyang.

Cha, who defected last January from North Korea's Embassy in Zambia, worked as an agent for North Korea in Russia from December 1992 to January 1994. His three missions in Russia were to establish a long term agent base; to steal Russian technology and lure scientists to North Korea; and to interfere with media critical of Kim Chong-il and Kim Il-song. A fourth mission, to kidnap a South Korean minister and female missionary who aided the defection of North Korean lumberjacks, was cancelled with Kim Il-song's death.

ROK: Buddhist Priest Gives Impressions of DPRK After Visit

SK2404114496 Seoul YONHAP in English 1121 GMT 24 Apr 96

[FBIS Transcribed Text] Seoul, April 24 (YONHAP) — "Pyongyang was calmer than I thought it would be, but elsewhere in North Korea I could sense utter destitution and famine."

So said Buddhist Priest Sin Pop-ta, General Affairs Department chief of the Buddhist Chogye Order, who visited North Korea April 16-22.

He said the first impression he received in the North was that the whole country was in a deep mood of mourning for the late Kim Il-song and that the campaign for Kim Chong-il's personality cult was gaining force.

The priest said that during his visit at the invitation of the North Korean Buddhist Federation, he conferred with the federation's Secretary General Sim Sang-yon and other Buddhist leaders a set of pending issues.

The topics included the planned visit by Chogye Order head Song Wol-chu to the North, the possible adoption of a joint South-North sermon for use on the Buddha's coming day on May 24, and the question of rebuilding the Singyesa Temple on Mt. Kumgang.

Priest Pob-ta, who stayed at the 36-story Koryo Hotel in Pyongyang, said warm spring winds were yet to reach

North Korea as Pyongyang passers-by were in thick overcoats with neckpieces around their necks.

"As I witnessed the tribulations suffered by the North Korean people during the visit, I came to decide to step up a relief campaign for flood victims," the priest said.

He said that though North Korea is trying hard to induce foreign capital, the impression he received in the North was that the atmosphere was not ripe yet for foreigners' business activities there.

Saying that he toured some temples in the North, Pob-ta said most of the 60 or so temples said to exist in the North are of the window-dressing nature as they have ceased to function as Buddhist temples since long ago.

ROK: ROK, Japan Foreign Ministers To Meet in South Africa

SK2504085496 Seoul YONHAP in English
0607 GMT 25 Apr 96

[FBIS Transcribed Text] Seoul, April 25 (YONHAP) — South Korean Foreign Minister Kong No-myong and his Japanese counterpart Yukihiko Ikeda will meet Tuesday in Johannesburg, South Africa, to discuss bilateral issues of concern, Foreign Ministry spokesman So Tae-won said Thursday.

The meeting will be held on the sidelines of the Ninth General Assembly of the United Nations Conference on Trade and Development (UNCTAD), So said.

ROK: PRC, Hong Kong, Taiwan Now ROK's Largest Export Market

SK2504080796 Seoul YONHAP in English
0618 GMT 25 Apr 96

[FBIS Transcribed Text] Seoul, April 25 (YONHAP) — China, Taiwan and Hong Kong have collectively overtaken the United States as South Korea's largest export market.

The Korea Foreign Trade Association (KFTA) said Thursday that the domestic companies exported 6.18 billion U.S. dollars to the three countries in the first quarter of this year compared to 5.88 billion dollars to the United States.

It was the first time for outbound shipments to the three countries to claim the top spot among South Korean export targets since trade with China first began in 1981, a KFTA official noted.

During the three month period South Korea had 2.65 billion dollars in exports to Hong Kong, 2.45 billion dollars to China and 1.08 billion dollars to Taiwan.

The turnabout has been attributed to a change in the export structure, with a new focus on heavy and

petrochemical products, capital goods and raw and subsidiary materials, which are now in great demand in those emerging markets, the official explained.

Major export items were electricity, electronics, general machinery, automobiles, synthetic fiber, oil and steel.

ROK: Agreement Reached With PRC on Protection of Forestry Resources

SK2504040796 Seoul THE KOREA TIMES in English
25 Apr 96 p 8

[FBIS Transcribed Text] Korea and China have agreed to further cooperate for the protection of forestry-related resources and step up joint studies in related sectors, including the co-development of new natural materials.

In a working-level meeting held at the Forestry Administration Tuesday, the two nations also concurred on the need to sign a pact for the protection of birds, especially migratory ones.

They also agreed to conduct joint research on the wild animals and exchange related data.

Director Kang Chae-su, in charge of forestry policy at the administration, represented the Korean side, while the Chinese officials were led by Director General Yang Yuchou of the Chinese Ministry of Forestry.

The meeting was the first of its kind held officially between the two nations, an administration official said.

Korean officials in the meeting called on their Chinese counterparts to forge a favorable climate so that the domestic companies investing in China in the sector of wood and forestry can expedite their investment.

Now, 15 Korean companies are investing 90 million dollars in the fields of wood processing and tree planting.

The meeting will continue until April 26. The Chinese participants plan to look around wood-related business facilities in Ulsan and Kyongju.

ROK: Minister Protests Bilateral Trade Pressure From Big Nations

SK2504024396 Seoul YONHAP in English
0224 GMT 25 Apr 96

[FBIS Transcribed Text] Seoul, April 25 (YONHAP) — Foreign Minister Kong No-myong expressed concern Thursday that some of the world's powerful economies were still trying to employ bilateral trade pressures on other countries as a means of pursuing their trade goals in spite of the fact that the World Trade Organization (WTO) is now up and running.

Pointing out that the the spirit of the multilateral trade regime is not being honored, Kong complained that "frequent efforts by some advanced countries to impose anti-dumping tariffs have spawned suspicions that they have been abusing measures for anti-dumping tariffs to restrict imports and protect their domestic industries."

Kong was speaking at a seminar on the evaluation of the first anniversary of WTO operations and the direction of South Korean trade policy, which was held at the Institute of Foreign Affairs and National Security.

Kong also warned against the possibility of regional trade blocs adversely affecting the smooth implementation of the WTO which has 119 member countries around the world, stressing the need for devising ways of preventing regional blocs from developing into closed ones.

"The beginning of the WTO should not be understood as the end of the multilateral trade negotiation system but instead as the start of a new round of negotiations," Kong said. "That's because the system controlling multilateral trade negotiations should continue to evolve in light of the fact that the world economy and trade environment are by their very nature dynamic and susceptible to change."

One of the major challenges facing the WTO are the upcoming negotiations for the opening of telecommunications and maritime service markets, according to Kong.

Kong also expected that the first WTO ministerial meeting, slated for coming December in Singapore, will address new issues including investment, competition policy, labor standards and the eradication of corruption.

"South Korea will take part in the talks involving new issues from a long-term perspective and with forward-looking attitudes," Kong said.

The foreign minister, however, reaffirmed that his government opposes the idea of engaging in talks about opening agricultural markets further before 1999. The 1994 Uruguay multilateral trade negotiations agreed that opening agricultural markets further will not be discussed until after 1999.

The Government of South Korea will continue to pursue trade policies which are compatible with the spirit of the WTO, which is to substantially reduce trade barriers to goods, services and investment so the world trade environment can enter the age of unlimited competition without national boundaries.

"Implementation of obligations under the WTO can bring some short-term difficulties but will eventually ex-

pedite economic modernization through legal revisions that result in improved transparency," Kong said.

ROK: Minister Urges WTO To Curb Trend Toward Trade Regionalism

SK2504035696 Seoul THE KOREA TIMES in English
25 Apr 96 p 8

[FBIS Transcribed Text] Trade, Industry and Energy Minister Pak Chae-yun yesterday urged the World Trade Organization to increase surveillance of the tendency to use regionalism as a means of protecting from free global trade formula.

At the World Trade Congress now underway in Singapore, Pak emphasized that the expansion of regionalism is threatening the stability of global trade, and that greater efforts must be made to put an end to such practices.

"The expansion of regionalism has been persisting even after the launching of the WTO," he said at a panel discussion session on regional cooperation and multilateral trade orders at the Shangri-La Hotel.

He went on to say that for multilateralism and regional cooperation to take firm root, related issues must be made the main agenda of the first ministerial meeting of the WTO scheduled for December in Singapore.

Meanwhile, Pak met separately with WTO Secretary General Renato Ruggiero and concurred on the need to abide by the results of the Uruguay Round and conclude service industry negotiations at the earliest possible time.

During the meeting, the Korean minister also extended an invitation for Ruggiero to visit Seoul, which the Italian bureaucrat accepted for a visit at an appropriate time.

ROK: Kong No-myong To Visit South Africa, Austria, Russia

SK2504062696 Seoul YONHAP in English
0239 GMT 25 Apr 96

[FBIS Transcribed Text] Seoul, April 25 (YONHAP) — Foreign Minister Kong No-myong will make an official visit to Russia May 5 to meet with his Russian counterpart Yevgeniy Primakov and other officials to discuss bilateral security and economic issues, Foreign Ministry spokesman So Tae-won said Thursday.

Before touring Russia, Kong will fly to Johannesburg, South Africa, to attend the ninth general assembly of the United Nations Conference on Trade and Development (UNCTAD) scheduled for April 29. On his way to

Moscow, Kong will visit Vienna, Austria, May 2 to enhance bilateral relations.

While in Moscow, Kong is expected to seek support for the four-way meeting proposed by South Korea and the United States to establish a permanent peace agreement for the Korean peninsula to replace the current armistice treaty.

"Kong and Primakov will discuss ways to enhance bilateral cooperation and finding a constructive role for Russia regarding issues concerning the Korean peninsula," spokesman So said.

Kong will also meet with Russian parliamentary leaders and give a speech at a seminar on issues of the South Korean diplomacy and Seoul-Moscow relations.

While attending the UNCTAD general assembly in South Africa, the foreign minister will make a keynote speech to present concrete measures to help developing countries enter the new global economic system represented by the World Trade Organization (WTO), according to So.

The willingness of South Korea, an advanced developing country, to provide support for other developing countries will also be announced at the keynote speech by Kong, the spokesman said.

Kong will also meet with his South African counterpart Nzo on bilateral issues of concern. A courtesy call on South African President Nelson Mandela is also being pursued, although not confirmed, according to the spokesman.

In Vienna, Kong will meet with Austrian Foreign Minister Wolfgang Schuessel and Prime Minister Franz Vranitzky to cement bilateral cooperative relations and seek ways to enhance cooperation in such international floor as the United Nations, Asia Europe Meeting and the European Union.

Kong will seek cooperation with Austrian officials and businessmen to help South Korean firms take advantage of Austria as a foothold for making inroads into East European countries through joint investment projects, according to the spokesman.

ROK: Pre-Inspected Imported Food Exempt From Second Inspection

SK2504080896 Seoul YONHAP in English
0618 GMT 25 Apr 96

[FBIS Transcribed Text] Seoul, April 25 (YONHAP) — Imported food is going to be exempt from inspection if it has pre-inspection certificates issued by authorized inspection organizations at home and abroad.

The Ministry of Health and Welfare, which has decided to recognize pre-inspection certificates to expedite customs clearance procedures, announced the new system Thursday.

As a result, foreign food that has the proper certification will not be examined as closely as agricultural chemicals and antibiotics.

Certificates have to be issued in accordance with methods stipulated in the food processing law, and in other cases, inspection methods must be submitted, and then the ministry will make a decision on whether or not it will allow exemption, and the scope of inspection.

There are 32 authorized domestic food sanitation law inspection agencies, including 15 local government health and environment institutions, and food and medicine administrations in Seoul, Pusan and Incheon.

The minister of health and welfare will decide which foreign inspection organizations to authorize after scrutinizing them.

The ministry plans to notify the World Trade Organization (WTO) and such major nations as the United States, Japan and Canada that it is implementing imported food pre-inspection system, and will designate foreign inspection organizations in the latter half of this year.

A ministry official said the ministry's decision has been made in an effort to ease trade conflict arising from custom clearance officials' procrastination.

ROK: Kim Yong-sam Talks With Canadian Premier on Telephone

SK2504063396 Seoul YONHAP in English
0113 GMT 25 Apr 96

[FBIS Transcribed Text] Seoul, April 25 (YONHAP) — President Kim Yong-sam had a telephone conversation with Canadian Prime Minister Jean Chretien Thursday morning and exchanged opinions on promoting bilateral relations in the international arena.

Kim expressed thanks for the Canadian Government's support last week for the four-nation talks proposal made by South Korea and the United States in an effort to find a formula for peace on the Korean peninsula.

Kim also voiced satisfaction that the follow-up measures for such major issues as the bilateral industrial and technological cooperation agreements reached last October during his visit to Canada are proceeding smoothly.

ROK: 'Co-Existence' Urged in Labor-Management Relationship

SK2504040196 (Internet) The Digital Choson Ilbo
WWW in English 1214 GMT 24 Apr 96

[Editorial: "A New Take on Labor and Management Relations"]

[FBIS Transcribed Text] President Kim Yong-sam's latest proposal for negotiations between Labor and Management admits the inevitable need for change. Though cooperation between the two factions is expanding in some areas, the basic relationship is still one of confrontation and conflict. With this venture, the government would do well to develop a basic framework which addresses more than just the legal aspects and structure of the system between the two groups. Commendable changes include rethinking of customary procedures and measures which increase awareness between the two groups.

The real problems arise in the crucible of the real world: What can be feasibly changed and how should one go about accomplishing this? Labor's basic demands include the following: permitting political action by unions, scrapping bans on third-party participation in strikes, and allowing the existence of multi-representation of unions in businesses. Management's rebuttal calls for the relaxation of limits on working conditions, easing of fire codes, and the introduction of a more flexible work schedule. Thrown into the same pot, each group's demands have the potential to set off an explosive effect.

Of interest at this point in the game is what the government intends to do. A positive stance is indicated by President Kim's statement that, "Our plan is to change the laws and procedures to those which are flexible enough to keep pace with globalization, and that are in accordance with international standards." On the eve of Korea's joining of the OECD, it is vital that we bring our policies up to speed internationally. We must also review which systems create a burden heavy enough to Management that they inhibit our competitiveness in the world market.

The natural relationship between labor and management should be one of co-existence rather than one which feeds off conflict. To regain this environment, it is necessary for both sides to be aware of the needs of the other. The most important thing, however, is that each side be mature enough to compromise when needed.

ROK: Majority of Chaebol Heads Rebuff Kim Yong-sam Invitation

SK2504040596 (Internet) The Digital Choson Ilbo
WWW in English 1222 GMT 24 Apr 96

[FBIS Transcribed Text] Of the 30 chairmen of major financial conglomerates invited by President Kim Yong-sam to attend a Wednesday luncheon at the Blue House, a scanty 8 showed, with the remaining 22 sending substitutes in their place. The meeting was called to discuss reforms between Labor and Management relations, with invitations sent out by the Ministry of Labor. Companies whose chairmen attended were: Hyundai, Doosan, Ssangyong, New Core, Hanbo, Halla, Kolon, and Sammi.

Among those who did not participate, some were able to cite excuses of being abroad at the time. Ironically, at the beginning of this month, when President Kim sent invitations to the same 30 for a meeting on the World Cup, several leaders out of the country hurriedly returned to attend.

It has been suggested that the lack of participation is a gesture on the part of company leaders to express their unhappiness with the government's reform plans for Labor and Management relations. It is also speculated that this may be the start of an era of confrontation and conflict between the government and conglomerates.

ROK: Dissent Heard in NCNP Following Disappointing Election

SK2504031496 Seoul THE KOREA TIMES in English
25 Apr 96 p 2

[Article by staff reporter Kwon Tae-yong: "Kim DJ Tightens Party Grip, Silencing Dissenting Voices"]

[FBIS Transcribed Text] There is a new wave running through the nation's largest opposition party, the National Congress for New Politics, baffling its top leader, Kim Tae-chung.

After suffering an unexpected setback in the April Assembly polls, NCNP leader Kim has been hearing dissenting voices inside the party blaming him for the party's unsatisfactory election results. Also rising is the new move to find an alternative figure for the party's future leadership.

Kim Sang-hyon, the NCNP's second power man, raised questions about the party leader's insistence that the NCNP did not fail in the April elections. Kim had planned to visit Yongnam and Kangwon provinces, where the NCNP commands slim support, in order to soothe the failed NCNP candidates and boost their morale for the presidential election in 1997.

His tour was cancelled by party leader Kim, who said he would go himself, after which Kim could follow.

NCNP leader Kim's sudden action of persuading Rep. Kim to put off his visit sent a clear message to party members that he will tighten his grip on the party with the presidential election next year in mind.

Meeting reporters Tuesday, Rep. Kim said, "I think the NCNP president is the only leader we have for the 1997 presidential race. There is no doubt about that. I wouldn't make any move to oppose his fourth bid for the presidency."

Rep. Kim stressed the need for party unity around the party leader, trying to do away with the rumor that he himself was preparing for next year's presidential race.

However, he didn't deny his ambition for the presidency after Kim in 2002.

He said that he will unveil his own plan in May. In this connection, he made it clear that in the party he should be in charge of the metropolitan area, where the party suffered a humiliating defeat to the ruling New Korea Party in the April elections. Out of the 47 seats up for grabs, the NKP took home as many as 27.

He stressed the importance of the central region for the nation's politics, saying he will lead the party in this region for every election, including the presidential election.

NCNP Vice President Cho Se-hyong, who was defeated in the April polls, said the party must reflect upon itself why many voters hailing from the Honam area, the traditional power base of the NCNP, were different this time in the April elections. His remarks hint at the waning popularity of party leader Kim.

In addition to Reps. Kim Sang-hyon and Cho Se-hyong, former dissidents who were aligned with the NCNP leader during the days of campaigning for democracy against dictatorial military regimes, including Vice President Kim Kun-tae, showed their independent spirits. Last weekend, they did not show up when the leader visited the Mangwol-tong cemetery in Kwangju, even though they were told to do so.

Sensing this mood, the NCNP leader started a series of meetings with party leaders to bring them in line before they grow out of hand in preparation for his fourth presidential bid.

He had a breakfast Tuesday with NCNP Vice President Kim and was quoted as having said, "Now is the time for the party to be united in preparation for the election. I'm worried that your recent action might be viewed as an effort to form a separate faction in the party." The

party's vice president is supporting for Rep. Yi Hae-chan, who is running for the party's floor leader.

The election of floor leader is due today.

Before meeting newly elected Kim the party leader met other unsuccessful election heavyweights, including Vice Presidents Chong Tae-chol, Yi Chong-chan and Cho Se-hyong, as well as NCNP High Committee Vice-Chairman Han Kwang-ok.

During his recent visit to Kwangju, the NCNP leader said, "It is about time for the party to prepare for next year's presidential polls. I cannot guarantee that your long cherished wish (of my becoming president) will come true, but I will do my utmost to the extent that you can be held in high esteem by your children for the effort you have put forth," alluding to his intention to run for the presidency next year.

He first held himself responsible for the less-than-expected performance in the April election. Sensing the public's disenchantment with professional politicians, he tried to appoint a new face to work on his behalf on the floor because he failed to gain an Assembly seat under the proportional representation system.

Abruptly, he cancelled the plan fearing that it would weaken his grip to party [as published] at a time when the presidential election is less than a year and a half away.

One thing clear is that his grip is not as strong as before. But it is also true that any challenge to him might be no more than a storm in a teacup for now.

Still, whether or not he will run for the presidency next year hinges on more on how and who will emerge the presidential candidates in other parties.

ROK: New NKP Party Chairman Election Scheduled 7 May

SK2504065996 Seoul YONHAP in English
0651 GMT 25 Apr 96

[FBIS Transcribed Text] Seoul, April 25 (YONHAP) — The ruling New Korea Party will hold a national committee meeting on May 7 to elect a new chairman to replace Rep. Kim Yun-hwan who has submitted his resignation to President Kim Yong-sam, Rep. Kim said Thursday.

Rep. Kim, after returning to the party building from his meeting with President Kim, said, "President Kim accepted my resignation and told me that the NKP had better convene the National Committee May 7."

The NKP, however, may not revise the party's constitution and rules in relation to the election of the party

candidate for next year's presidential election, a source said.

According to the source, President Kim, at a luncheon meeting with Rep. Kim at Chongwadae [presidential offices], praised his efforts for the April 11 general elections. The chief executive also noted that it is necessary for the ruling party to reshuffle its officials before the opening of the 15th National Assembly, the source said.

President Kim will appoint the new NKP chairman at the National Committee, and after obtaining the consent of committee members, will conduct the reshuffle of the party's hierarchy, according to the source.

Leading candidates for the position include Kim Myong-yun and former prime ministers Yi Hong-ku and Yi Hoe-chang.

ROK: Pak Sang-chon Elected NCNP Floor Leader in Runoff

SK2504085396 Seoul YONHAP in English
0544 GMT 25 Apr 96

[FBIS Transcribed Text] Seoul, April 25 (YONHAP) — Rep. Pak Sang-chon was elected floor leader of the main opposition National Congress for New Politics (NCNP) Thursday for the 15th National Assembly which opens late next month.

Pak defeated incumbent floor leader Sin Ki-ha 48 to 26 in a runoff.

The first round of voting had seven candidates, Pak won 22 votes, Sin earned 19, Cho Sun-hyong had 15, Yi Hae-chan received 11 and Son Se-il, Yi Hyop and Chae Yong-sok each had three.

Pak was elected to the National Assembly from Kohung, South Cholla, for the third straight time in the April 11 general elections, and after his election said that as the main opposition floor leader he would do his best to lay the foundation for a peaceful transfer of power from the NCNP in the 15th National Assembly.

He graduated from the Seoul National University School of Law, and served as district judge before he was elected to the 13th National Assembly in 1988.

ROK: Premier Promises Punishment for Election Law Violators

SK2504085696 Seoul YONHAP in English
0444 GMT 25 Apr 96

[FBIS Transcribed Text] Seoul, April 25 (YONHAP) — Prime Minister Yi Su-song promised that those who violated election laws during the April 11 general elections will be sternly punished.

"It is the constant will of the government to thoroughly investigate election-law violations and mete out the appropriate punishment to perpetrators," Yi said in a speech delivered at a debate session Thursday at noon.

The session was held at the 63 Building in Yoido, southwestern Seoul, under the sponsorship of the Korea Broadcasting Reporters Club.

In the speech entitled "Direction of Cabinet's Post-General Elections National Administration," the prime minister noted with pride that few controversies were raised about the administration's interference in the parliamentary elections.

On the outcome of the elections, Yi remarked, "The general public, fed up with old-fashioned instigations and the inertia of changing political alignments, demand a new political paradigm and a new posture on the part of politicians."

As priorities in the national administration, he cited the establishment of a thorough security preparedness and full preparations for an eventual national unification.

Yi also stressed welfare policy, educational reform and administrative reform, the last of which, he said, should "ease regulations applied to the private sector, introduce the techniques of business management to the administration, and enhance the government's productivity."

ROK: FTC's Discretionary Power Causes Heavy Lobbying

962C0055A Seoul CHOSON ILBO in Korean
14 Mar 96 p 2

[By Reporters Kang Hyo-sang and Kang Kyong-hui]

[FBIS Translated Text] The Fair Trade Commission [FTC] looked just like a house in mourning on 13 March when Yi Chong-hwa, director of the FTC monopoly bureau, was taken into custody by the prosecution on suspicion of bribery. FTC working-level officials, apparently too shocked to work as usual, gathered in the hallway with dismal faces exchanging information on the investigation conducted in their respective department. FTC Vice Chairman Kim Son-ok said, "FTC being an organization founded on trust, I am worried because I am not sure whether there is a way to restore the broken trust." A bureau chief expressed sympathy when he said: "Director Yi has been in financial straits. He lives in a house with a deposit of 100 million won and has been delinquent on the installment payments into the pool of housing purchase funds."

However, observers point out that from the beginning the present FTC had ample room for corruption. The FTC recently drew criticisms from businesses because

of lack of expertise; its power has gradually increased, becoming a concentrated target of lobbying. As a result, it may be said that the FTC was so corrupt that the boil has come to a head with the director of the monopoly bureau, the veritable commander watching over the activities of big corporations on the foremost front, charged with receiving bribes from lobbyists.

The greatest problem is that the FTC has too much discretionary power and has implemented the law freely on its own discretion. Observers say that there is no logic in FTC actions, pointing out that depending on its whims or the drift of public opinion, it at times metes out harsh punishment to businesses by imposing fines or referring them to the prosecution, and at other times stops at just issuing a warning. When the labor unions of Kia and other rival automobile companies staged a joint demonstration against the government permit authorizing Samsung to manufacture automobiles, the FTC sent its officials to investigate whether there was a joint consultation. In addition, even when the prosecution made an issue of unfair trade practices of some corporations, the FTC settled the matters at its own discretion. As a result, there has been much grumbling within the government.

Seeing the FTC brandishing the "sword," cooperations have been engaged in a crafty lobbying war by assigning officials solely for lobbying and, or, by mobilizing all available personal connections, such as friends of its high-ranking officials.

What is more, the FTC is in great shortage of legal experts. Of the seven FTC commissioners who are equivalent to court judges, only one has the qualifications of a lawyer, and he is a nonpermanent commissioner at that. This contrasts to the fact that among the chairman and seven members of the Board of Audit and Inspection, four have the qualifications of a lawyer.

The Justice Ministry is complaining that the FTC, despite its status as a quasi-judicial organization empowered to impose fines, belonged to an economic ministry in the past, a fact out of accord with the judicial system. In the United States, the Anti-Trust Bureau belongs to the Department of Justice.

In particular, the monopoly bureau of the FTC has had much room for corruption, because it receives reports on every move of corporations ranging from cross capital investments among the affiliates of a conglomerate to corporate mergers. But as critics pointed out during the parliamentary investigations of business practices, the government policy designed to encourage conglomerates to disperse their ownerships and specialize their lines of business has been proven ineffective, and the tendency toward the concentration of economic powers

are intensifying rather than subsiding. So far the FTC has been overly protected against scrutiny by the press and the counterbalancing agencies within the administration. This has resulted in the corruption case from which the FTC, incapable of curbing its own irregularities and abuse of power, has earned the dubious appellation of "a corrupt organization."

ROK: FTC Announces Changes After Scandal

962C0055B Seoul HANGUK KYONGJE SINMUN
in Korean 19 Mar 96 p 3

[By Reporter Kim Son-tae]

[FBIS Translated Text] The Fair Trade Commission [FTC] is being reborn in the wake of the arrest of its monopoly bureau director and the upgrading of the position of its chairman to the rank of a cabinet member.

During an 18 March informal press conference, FTC Chairman Kim In-ho said: "To insure fairness and transparency in the performance of its duty, the FTC will formulate a code of ethics and introduce a regular rotation system for its officials." He added that he plans to introduce a system of administrative judges so that even minor cases may be subject to examination under the collegiate system.

Chairman Kim disclosed that on the basis of the points at issue discussed during the 16 March meeting of all FTC employees, he will start reengineering work on the whole FTC system and its operations.

He also said that with the round of international negotiations on competition expected to go into high gear, the FTC will drastically reduce areas, such as finance and insurance business, which are excluded or excepted from the application of the Fair Trade Act, and expand the scope of application of the law and tighten the screening process on cooperate mergers.

In addition, the chairman clarified the FTC's position by saying that the FTC will also devise measures to curtail the discretionary power of officials in charge and increase the transparency of FTC performances by revising "the outline of screening procedures on cooperate mergers" and "the outline of screening procedures on the scope of conglomerates and their affiliates." The disclosure of these plans amounts to an expression of the FTC's intention to take on a new look by breaking with its tradition and casting away its old pattern of authority.

The background behind this move is very simple. The public trust in the FTC has suffered a mortal blow from the recent bribery case involving its monopoly bureau director, the most influential of its key officials.

Apparently, behind the aforementioned moves of the FTC is a sense of crisis. The feeling exists that unless the whole system is completely overhauled, and the current practice left unchanged, it would be impossible to maintain the prestige of the FTC, to which "fairness and transparency" are vital.

The FTC decision, first of all, to reorganize its personnel and revamp its organization, stems from its determination to eradicate the root of irregularities. The plans to introduce a regular rotation system for its officials and formulate a code of ethics, as well as the decision to replace most of all its bureau directors in the reshuffling soon to take place, are in line with that determination.

In addition, the plan for the new system by which a college of judges will decide whether or not a case warrants a warning or a recommendation for rectification—a matter that has been within the sole discretion of the concerned bureau director up to now—may be understood as an initial step toward putting in place supplemental institutional devices to insure the fairness of the FTC in handling its business.

The problem concerns not volition, but action. In view of the fact that "graft" is a matter more of the person than of the system, it may be said that the transparency of FTC itself is more important. This is to say that the FTC needs to break with its same old practices, such as instantly launching into an investigation of a corporation simply because its head criticized the government.

The interest in how far FTC will go in its efforts to effect changes is very high because the FTC is an organization which is supposed to be on the side of the weak.

ROK: Article Discusses FTC's Problems

962C0055C Seoul CHUNGANG ILBO in Korean
20 Mar 96 p 26

[By Kim Chong-su, a CHUNGANG ILBO expert panel member]

[FBIS Translated Text] The FTC monopoly bureau director has been taken into custody and charged with bribery. A brief examination of the FTC organization would make one easily understand that the FTC is structurally prone to irregularities. The monopoly bureau has the power to designate monopoly products and large-scale conglomerates as such and control them.

Once any of numerous commodities sold in the market is designated as a "monopoly or oligopoly product," the FTC steps in to regulate "on a regular basis" any change in price its producer wants to make and his other business activities which, in the opinion of the FTC, may have a great impact on the market share of that product. In addition, the moment a corporate group,

grown in scale to a certain extent, is designated as a large conglomerate, the group is subject to restrictions "before" its affiliates give cross-payment guarantees for each other or before investments in outside cooperations.

In other words, any product or any business group becomes subject to regulation by the FTC simply because the product has a large share of the market or the business group is large in scale, regardless of whether or not the market share or the scale of the business has in reality the effect of restraining competition.

Needless to say, there would be plenty of room for a monopoly, oligopoly products or large cooperate groups to monopolize and control the markets at will if the FTC were not to regulate them on a routine basis.

However, if products and large corporations are subject to prior restrictions under a cobweb of excessive regulation like the one existing now, under the pretext of preventing unfair trade practices "beforehand," the self-regulation and initiatives of businesses could hardly be hoped for.

In addition, it would be to their own advantage for businesses to maintain a good relationship with the FTC on a regular basis; otherwise, they would find themselves in a disadvantageous position on every matter. Accordingly, the practice of giving and taking "black money" or bribes under the name of "the money for cakes" will be unavoidable as long as prior regulation and controls remain the main business of the FTC. Therefore, the FTC's power of prior regulation should be curtailed for the prevention of irregularities and in the interest of private initiatives.

Needless to say, easing the regulatory controls randomly, simply because regulation begets corruption, is not the best choice. In this event, unfair trade practices will spread uncontrollably just like a wild fire. Regulation aimed at "establishing the order of fair trade" should rather be tightened.

The current fair trade system in our country is "dangerously" generous towards unfair trade practices, contrary to the tight squeeze of private business activities in the vise of prior regulatory controls. When an enterprise is found to have committed an unfair trade practice, all it needs to do is "correct" its mistake according to the recommendation of the FTC.

It is difficult to establish an order of fair trade under the present system by which violators can get away with their offenses just by receiving a trivial sanction.

Ex-post facto sanctions must be stern so that enterprises dare not think of committing an unfair trade practice, and the regulatory standards must be clear and plain so that no irregularity may get a foothold.

It is hoped that the corruption case, which we are even ashamed of discussing, will serve as an occasion for the FTC to be reborn as the protector of fair trade, both in name and reality.

Burma**Burma: Suu Kyi Escalates 'Verbal Assaults' on Military Government**

*BK2304094396 Melbourne Radio Australia
in English 0500 GMT 23 Apr 96*

[FBIS Transcribed Text] The Burmese opposition leader, Aung San Suu Kyi, has accused the military government of using a mass organization to crush the forces of democracy. Evan Williams reports the claims are a major escalation of the opposition leader's verbal assaults as the government continues to curtail her activities.

[Begin Williams recording] Suu Kyi's says her party was stopped from celebrating the Burmese New Year by officially-sanctioned crowds manning barricades on her street and given sticks to beat up her people. She says the crowds are members of the Union Solidarity and Development Association, a mass political group set up to help the military government. Originally many people, especially government servants, were forced to join. Suu Kyi says this dangerous organization is now being used the way Hitler used his brown-shirts militia to crush the forces of democracy in Burma.

She has also warned Japanese investors despoiling the country to enrich themselves. She says that a dissatisfied work force eventually means unrest. [end recording]

Burma: Third Group of Thai Inmates Released

*BK2404152096 Rangoon Radio Myanmar in Burmese
1330 GMT 24 Apr 96*

[FBIS Translated Text] In view of the goodwill in bilateral relations and to honor the 50th anniversary of His Majesty King Phumiphon Adunyadet's accession to the throne, an arrangement has been made to release a total of 100 elderly and long-serving Thai prisoners among those serving sentences in Myanmar [Burma].

The third and final batch of 33 Thai prisoners departed from Yangon [Rangoon] International Airport for Bangkok on a Thai Airways flight at 1030 today. They were seen off at the airport by responsible personnel from the Ministry of Defense, Ministry of Foreign Affairs, Ministry of Home Affairs, and Ministry of Immigration and Population together with officials from the Royal Thai Embassy.

It has been learned that a total of 282 Thai prisoners, including these 100, have been released so far by the State Law and Order Restoration Council government in view of the existing goodwill in bilateral relations.

Burma: Karen National Union Sees Need To Hold Dialogue With SLORC

*BK2404070596 Bangkok THAILAND TIMES
in English 24 Apr 96 p A5*

[Report by Atsawin Phinitwong]

[FBIS Transcribed Text] Tak — Burma needs a free and frank dialogue among its various political forces in order to achieve genuine national unity and lasting peace, concludes the Karen National Union (KNU) in a statement issued yesterday.

This conclusion was arrived at the first meeting of the Central Standing Committee of the Eleventh Congress of the KNU held on April 8-19 at Te Ka Per camp, opposite Thailand's Umphang district in Tak province.

The statement, which was translated into English and Burmese, was distributed among KNU members along the Thai-Burmese border.

The meeting, which analyzed the work of the KNU as well as current international and domestic affairs, found that Burma has not progressed in line with the aspirations of the ethnic nationalities and the whole population.

The KNU warned that "the country can slide into a situation of greater danger," if the political and economic changes in the country do not reflect the aspirations and interests of the ethnic nationalities and the entire nation.

It urged all forces involved in the search for real progress and development of the country to continue their efforts on all sides. The KNU reaffirmed its stance to keep in touch with these forces and cooperate with them to achieve their common goals.

According to KNU, though it has begun talks with the ruling Junta in order to "resolve problems peacefully, logically, and in a reasonable manner", these problems which have persisted for over four decades simply could not be solved within a brief period of time.

However, the KNU remained optimistic that through constant and open dialogue, they will be able to achieve what they have been fighting for, that is, genuine peace, unity and progress for the whole Union of Burma.

A high-ranking officer of the Thai Border Patrol Police, meanwhile, said the KNU leaders are worried about Burma's request for KNU to take the initial step in ceasefire and surrender themselves.

"The KNU doesn't trust the SLORC [State Law and Order Restoration Council]," he said, adding that an unsuccessful meeting between the two sides will adversely affect the Thai border, especially Umphang district.

The KNU has twice conducted talks with the State Law and Order Restoration Council (SLORC) government. The first was in December last year and the latest one last month in which a dozen of KNU leaders went to Rangoon for a ceasefire talk.

Both meetings failed to resolve the 47-year war waged by the KNU against the government.

The Thai official said he expects the third meeting between the two sides to begin early next month.

The KNU has been fighting for greater autonomy since 1949, a year after Burma officially gained independence from Britain.

Cambodia

Cambodia: Search Operation for British Hostage 'Called Off'

*BK2504085596 Hong Kong AFP in English
0835 GMT 25 Apr 96*

[FBIS Transcribed Text] Phnom Penh, April 25 (AFP) — The search for a British mine clearance expert and his Cambodian translator held hostage by Khmer Rouge renegades in the northern province of Siem Reap has been called off, officials said Thursday.

"The investigation is ended," said Siem Reap Deputy Governor Kong Heng. "This case is beyond the capacity of the provincial authorities and we want to give it to the national government."

He and other officials in Siem Reap, 314 kilometers (220 miles) northwest of Phnom Penh, said they had grown discouraged with the attempts to locate Briton Christopher Howes, 36, of Bristol, England, and interpreter Huon Hourt who were abducted a month ago Friday.

"We believe they have reached the hands of senior Khmer Rouge leaders," said Hem Bun Heng, another deputy governor. "That is why we think only the national government and perhaps others may be able to solve this problem."

At least five police and soldiers involved in the search have been killed by landmine explosions since the investigation began shortly after the abduction.

Although the investigation was called off on Wednesday afternoon "we will still keep our eyes and ears open to search for them but for the last two weeks there has been no new information about where they are," Kong Heng said.

Howes and Huon Hourt, employees of the British-based Mines Advisory Group (MAG), were among 27 deminers abducted March 26 while making safe a roadside pagoda.

After Howes refused to act as a courier for a ransom for the Cambodians, all but he and his translator were released the same day.

They were then moved deep into the jungle and are now believed to be in Khmer Rouge territory near the Thai border, according to provincial officials.

No ransom demand has been forthcoming and attempts to find and negotiate with the kidnappers have been unsuccessful.

Although the Khmer Rouge have denied that they are responsible for the abduction and their nominal leader has written to King Norodom Sihanouk to reaffirm that point, authorities believe the two men are now under the control of an aid to the rebel's feared chief of staff Ta Mok.

On Wednesday, British ambassador to Cambodia Paul Reddicliffe urged guests at a party celebrating Queen Elizabeth's birthday to "spare a thought" for Howes and his colleagues, the Cambodia Daily newspaper reported.

With so little progress being made, speculation about the hostages has run rampant throughout Siem Reap and Phnom Penh. Acquaintances of Howes have angrily dismissed rumors that he may be a Khmer Rouge sympathizer who followed them willingly.

Cambodia: Government To 'Demobilize' 43,000 Armed Forces Personnel

*LD2404115696 Melbourne Radio Australia
in English 1100 GMT 24 Apr 96*

[FBIS Transcribed Text] The Cambodian Government says it will demobilize 43,000 personnel in its armed forces by the end of the year. An Information Ministry spokesman said the soldiers affected were either disabled or approaching retirement. He said they would receive training in farming techniques at a special training centre for former soldiers near Phnom Penh.

The demobilization is part of a sweeping military reform plan demanded by Cambodia's international donors, which have criticized the armed forces as being too big and inefficient. The donor countries have made the plan a prerequisite for any additional military aid.

The Cambodian military has estimated its strength at 120,000 soldiers, but correspondents say the true figure is believed to be closer to 90,000.

Cambodia: Assembly Chairman Receives PRC Military Delegation

*BK2404143996 Phnom Penh National Radio of Cambodia Network in Cambodian
1300 GMT 24 Apr 96*

[FBIS Translated Text] Samdech Chea Sim, acting head of state and chairman of the Kingdom of Cambodia's National Assembly, received a high-level Chinese military delegation led by General Zhang Wannian, vice chairman of the PRC Central Military Commission; his wife; and many other high-ranking Chinese Army officers at the Chamka Mon State Palace at 0900 on 24 April. Also present were their excellencies Tie Banh and Tea Chamrat, the co-defense ministers, as well as many high-ranking Army officers of the Khmer Royal Armed Forces [KRAF]. PRC Ambassador to Cambodia Xiu Yu-ee was also present.

Samdech Chea Sim welcomed and profoundly thanked the Chinese delegation and the Chinese Government for their attention to providing support for Cambodia's rehabilitation and reconstruction. Samdech Chea Sim called on the Chinese side to train high-ranking Cambodian officers and expressed support for Chinese policy. The samdech added that the Royal Government of Cambodia [RGC] has an open-door policy of cooperation to consolidate and expand every sector for mutual benefit.

The high-ranking Chinese military delegation agreed to provide high-level military training to the KRAF and to provide \$1 million to the Defense Ministry to alleviate Cambodia's military needs. General Zhang Wannian expressed admiration for the efforts of the National Assembly and the RGC to bring outstanding progress to Cambodia. The two sides hoped that there will be exchanges of visits to improve cooperation between Cambodia and China.

Cambodia: 'Open Conflict' Possible in National Assembly

BK2404092796 Phnom Penh PHNOM PENH POST in English 19 Apr-2 May 96 p 3

[Report by Jason Barber]

[FBIS Transcribed Text] The National Assembly is due to resume today (April 19), after a three-month recess, in what will prove a critical test of the state of the government coalition.

FUNCINPEC [National United Front for an Independent, Neutral, Peaceful, and Cooperative Cambodia] and Cambodian People's Party (CPP) MPs could begin voting against each other in blocs if their parties' public rivalries have not been adequately soothed.

As neither side has an outright majority, the passing of new laws could be hampered, as well as the appointment of new ministers.

Several observers suggested this week that the parties' leaderships would work out an arrangement to avoid open conflict in the assembly, providing that no contentious legislation was introduced.

A draft nationality law, however, could easily become a political football if CPP tries to introduce a ban on politicians and civil servants from holding dual citizenship.

At a recent meeting of the National Assembly's permanent standing committee, several members urged that the resumption be delayed to give time for the FUNCINPEC-CPP strife to be resolved. The committee finally decided against a postponement, to keep the assembly's legislative schedule on track.

One of the first items on the agenda will be a vote on the appointment of FUNCINPEC's nominee for the new position of Minister of Women's Affairs, Mu Sochua, and her CPP deputy, Im Run.

Ministerial appointments require a two-thirds majority vote of the assembly. Sochua — subject of a poison pen letter campaign opposing her nomination — cannot get the post without some CPP votes.

FUNCINPEC and assembly officials played down the prospect of Sochua being rejected by MPs [member of parliament], saying that both Hun Sen and the Council of Ministers had endorsed her nomination.

New laws need to be passed by the assembly by a simple majority, at least 61 of 120 votes — which neither FUNCINPEC nor CPP has alone.

FUNCINPEC has 58 seats, and CPP 51, with the Buddhist Liberal Democratic Party [BLDP] having 10 and Molinaka one. The balance of voting power would lie with the divided BLDP if FUNCINPEC and CPP voted against each other.

"The line is well marked by both sides," one FUNCINPEC MP said this week of the current political deadlock.

"Will there be some line that CPP will vote against everything put forward by FUNCINPEC? If that happens, it means they [CPP MPs] will have received that order."

Said another: "If that's the game, we will have to do the same."

The first two laws due to go before the assembly are relatively uncontroversial: a pharmaceutical control law and a public company law.

More thorny will be the nationality law, not expected to get to the assembly till at least late next month. The law — crucial for determining who is a Khmer citizen — is currently being held up at the assembly's Commission on Home Affairs, National Defense, Investigation and Anti-Corruption.

FUNCINPEC MPs say several CPP commission members are pushing for a provision to be put in the draft law prohibiting politicians and officials from being citizens of both Cambodia and other countries.

One MP lashed out at the CPP move as "more than stupid" and a direct attack on FUNCINPEC and other parties "involved with the [anti-Vietnamese] resistance". Many FUNCINPEC members — from Prince Norodom Ranariddh down — hold dual citizenship.

The MP urged political leaders to speak out on the issue.

"They must defend the principles of right to citizenship and the recognition that Cambodia is still in a transition. They must recognize the actual situation in Cambodia."

Another MP said that, if forced to give up his foreign passport or his seat in the National Assembly, he might well choose to resign and join an opposition party.

Ranariddh's Cabinet chief, Li Thuch, said: "I think that it's not a loss for a country like Cambodia where Cambodians have children who can have two citizenships.

"I don't think that's a bad thing. We must be open-minded, and look at the world, the movement around the world."

An adviser to Hun Sen, Om Yinteng, had no comment on FUNCINPEC- CPP relations except that "the CPP has no reason to go against FUNCINPEC."

Bou Thang, the chairman of the assembly commission studying the draft law, could not be contacted for comment over the Khmer New Year. But he is understood to have sought a meeting with co- Interior Ministers Sar Kheng and Yu Hokkri on the matter.

The official government draft approved by the Council of Ministers does not include any ban on dual citizenship for politicians, but such a campaign for such a ban has been rumored for months.

Cambodia: Source Claims 'Felled Logs' Sent Daily to SRV

BK2504044396 Phnom Penh REAKSMEI
KAMPUCHEA in Cambodian 25 Apr 96 pp 1, 4

[Report by Vong Mul]

[FBIS Translated Text] An unidentified source has told REAKSMEI KAMPUCHEA that about 1,000 cubic

meters of newly felled logs are being shipped daily to Vietnam through the Ream strait.

Twenty to thirty percent of the illegally exported logs, which were mostly felled in the fresh water region, were taken out of the Sihanouk Reserve Park.

The source added that it was a logging company that incited the local people to cut down the trees and carry them out to sell little by little every day. The company then ships the logs to Vietnam through the strait under the protection of the naval unit in the area.

The source added that the local border police unit have also conspired in the protection of the illegal logs exports.

What actions will the Agriculture and Environment Management Ministries take to bar such illegal log felling and exports?

Indonesia

Indonesia: OPM Leader Reportedly Wants Irian Jaya Hostages Freed

BK2404134096 Hong Kong AFP in English
1326 GMT 24 Apr 96

[FBIS Transcribed Text] Jakarta, April 24 (AFP) — The leader of an armed separatist group in Indonesia's eastern province of Irian Jaya wants his subordinates to free a group of hostages they are holding, the official Antara news agency said Wednesday.

Antara quoted unidentified sources in the province's main town, Jayapura, as saying that a courier from separatist leader Mathias Wenda had arrived in the town of Wamena with a message for the captors.

Wenda is the leader of the armed wing of the Free Papua Movement (OPM), and is headquartered in neighbouring Papua New Guinea.

The courier, identified as Yosef Turot, was carrying a message for Kelly Kwalik, the leader of group holding the 11 hostages who include six Europeans, demanding their release, the report said.

Turot was reportedly waiting in the town for a permit to fly to Mapnduma, in the area where the hostages are believed to be, it said.

Wenda is headquartered in neighbouring Papua New Guinea in Bewani Skotjau, Sandau province.

On January 8, Kwalik's group took 26 people hostage in Mapnduma, central Irian Jaya. They have since released 15 people but still hold six Europeans and five Indonesians.

According to Antara, Turot played a role in the January freeing of two Indonesian high school students who were held hostage for over two months by the OPM in Papua New Guinea.

The OPM has been fighting for an independent Melanesian state in the former Dutch territory of Western New Guinea since it became the Indonesian province of Irian Jaya in 1964.

Sources close to relief operations have said that two of the Indonesian hostages are in conditions of deteriorating health.

The hostages were working on a scientific expedition organised by the World Wide Fund for Nature (WWF).

The Europeans being held include Britons Daniel Start, 21, William Oates, 22, Annette van der Kolk, 21 and Anna McIvor, 20, as well as WWF official Mark Van Der Wal and UN environment official Martha Klein, both of the Netherlands. Klein is in her sixth month of pregnancy.

Antara quoted the head of the Irian Jaya military command, Major General Dunija, as saying that Indonesia's armed forces intend to continue to use "persuasion" instead of force to resolve the situation.

But Dunija also told Antara that "other ways" could be taken if conditions turned "critical." He did not elaborate.

Indonesia: Thailand's Prime Minister Arrives in Jakarta for Visit

BK2404092396 Bangkok Radio Thailand Network in Thai 0530 GMT 24 Apr 96

[FBIS Translated Text] The Thai prime minister arrived in Jakarta this morning to a warm welcome. Public Relations Department reporter Chintana Choichumphot reports:

[Begin recording] Prime Minister Banhan Sinlapa-acha and his delegation arrived at Halim Airport in Jakarta at 0900 local time this morning. They were accorded a warm welcome by the coordinating minister of political affairs and security, the acting minister of foreign affairs and his wife, and the Thai ambassador to Jakarta and the embassy staff.

After that the Thai prime minister and delegation proceeded to the Merdeka Palace and Presidential Office, where an official welcome ceremony took place.

Thai Prime Minister Banhan and Indonesian President Suharto proceeded to the ceremonial platform to receive expressions of respect. A band played the Thai and Indonesian national anthems while a 19-gun salute was fired.

After that the Thai prime minister paid a courtesy call on President Suharto and his wife before proceeding to the heroes monument to lay wreaths at the heroes cemetery of Indonesia. [end recording]

Indonesia: Suharto Hosts Banquet for Thai Prime Minister

BK2504073396 Jakarta Radio Republik Indonesia Network in Indonesian 0000 GMT 25 Apr 96

[FBIS Translated Excerpt] The president and Mrs. Suharto hosted a state banquet in honor of visiting Thai Prime Minister Banhan Sinlapa-acha and his wife, Khunying Chaemsai, at the State Palace yesterday evening. Vice President and Mrs. Try Sutrisno were also present on the occasion.

Our correspondent Sukarno Marno reports:

[Begin recording] [Marno] The state banquet was preceded by an exchange of traditional souvenirs among President Suharto, Mr. Banhan, and their wives. The banquet was also attended by cabinet ministers of the Sixth-Five Year Development Plan, heads of mission, and senior government officials.

In his speech, President Suharto reiterated that ASEAN, established almost three decades ago, has proved to be beneficial in promoting unity, enhancing stability, and boosting economic development and cooperation in various fields in the region.

[Suharto] We are grateful for the success from our agriculture and from the cooperation in this region. However, we have to take precautions against any potential conflicts, which if not properly managed, will turn into open conflicts that threaten regional stability. To guarantee peace and stability in Southeast Asia, ASEAN, Cambodia, Laos, and Burma have signed the Southeast Asia Nuclear Weapons Free Zone [SEANWFZ] treaty. We have taken a big step in signing the treaty because this is the first time that all leaders of Southeast Asian countries have signed a treaty to ensure lasting peace in the region. Apart from continuing to honor the principle of one Southeast Asia, we also have to try to maintain peace, and stability in the Asia-Pacific region. In view of this, we are happy to note that the ASEAN Regional Forum launched in 1994 has become an effective forum for dialogues and consultations on regional security and political issues of common interest to all member countries. With these heartening developments in the region, we are now closer to achieving our dream of bringing all Southeast Asian countries under one regional cooperation organization — ASEAN.

[Marno] In his return speech, Banhan said, among other things, that economic cooperation between Indonesia

and Thailand will be further stepped up. [passage omitted] [end recording]

Indonesia: Thai Leader, Delegation Meet With Indonesian Counterparts

BK2504092996 Bangkok Radio Thailand Network in Thai 0530 GMT 25 Apr 96

[FBIS Translated Text] At 0900 this morning, Thai Prime Minister Banhan Sinlapa-acha held consultative meetings on official issues with Indonesian President Suharto at Merdeka Palace. The discussion proceeded smoothly in a constructive atmosphere.

While Suharto and Banhan were meeting, two separate meetings were held between the Thai and Indonesian delegations. The Thai delegation for the economic consultative meeting was comprised of Deputy Prime Minister Amnuai Wirawan, Agriculture Minister Suwit Khunkitti, and representatives of Thai private sector. The Thai delegation for the political affairs meeting consisted of Foreign Minister Kasemsamoson Kasemsi, and high-ranking officials of the Ministry of Foreign Affairs.

After the meeting, Suwit signed a memorandum of understanding on a countertrade agreement with B.J. Habibie, minister of state for research and technology of Indonesia. In the memorandum, Thailand offered to sell rice to Indonesia, while Indonesia proposed to sell agriculture aircraft to Thailand through the countertrade system.

Laos

Laos: PRC Team Calls on Assembly Chairman, Ends Visit

BK2304153696 Vientiane Vitthayou Hengsat Radio Network in Lao 1200 GMT 23 Apr 96

[FBIS Translated Text] This morning at the National Assembly in Vientiane, Saman Vi-gnakhet, chairman of the National Assembly, received a courtesy call from the delegation of the PRC's Supreme Prosecution Organization headed by its deputy chief, Zhao Hong.

During the call, the National Assembly chairman hailed the visit to Laos by the delegation, noting that it was a significant contribution to strengthening the relations and cooperation between the Lao and Chinese parties, governments, and peoples as well as between the Supreme People's Prosecution Organizations of the two countries. Host and guest also discussed a number of issues of mutual interest, including mutual assistance in judiciary and legal work between the two countries.

The head of the Chinese delegation informed the National Assembly chairman of the outcome of the

visit to the Lao People's Democratic Republic [LPDR] by the delegation, especially the result of its talks on exchanging experience with the delegation of the LPDR Supreme People's Prosecution Organization, saying that after the meeting the two sides came to appreciate the problems regarding legal safeguarding, supervision, and law enforcement. The two sides agreed to step up mutual assistance and cooperation in this work.

Finally, the head of the Chinese delegation thanked the chairman for extending a warm welcome to his delegation.

The delegation left for home this afternoon after concluding its 6-day visit to the LPDR.

Laos: Cabinet Reshuffle Seen as Measure To Ensure Party Unity

BK2504073596 Bangkok THE NATION in English 25 Apr 96 p A5

[Report by Kulachada Chaiphiphat]

[FBIS Transcribed Text] The latest Cabinet reshuffle in the Lao government indicates that the communist state is bent on continuing previous policies so as not to disrupt its efforts at maintaining the current state of affairs.

The country's leaders may well be aware that any drastic changes now could backfire and affect the present political and economic stability, especially as Laos prepares to join Asean next year.

The recent reshuffle is the third in five years. Many were caught unaware by it, although the move was characterised by Vientiane as being in accordance with the 1991 constitution.

But one political observer views the continued presence of President Nhouhak Phoumsavan as unusual, stressing that the ageing leader had already announced his retirement from the party's politburo at the Sixth Party Congress last month.

The change in Cabinet members is minor, however, compared to the extensive shakeup that followed the leadership changes after the Fifth Party Congress in 1991. During that time, the retirement of octogenarians Prince Souphanouvong, then acting President Phoumi Vongvichit and Sisomphon Lovansai allowed then prime minister Kaysone Phomvihon to assume the presidency and party chairmanship with Defence Minister and Deputy Prime Minister Khamtai Siphandon taking over the premiership.

Nhouhak, who became president after the death of Kaysone in February 1993, should have stepped down

in March, since the term of the latter would have also ended at the same time.

But National Assembly chairman Lt Gen Saman Vignaket said recently that the term of the president, as stipulated in Article 54 of the constitution, would end in February 1998 along with those of the members of the assembly.

In retrospect, the sudden death of Kaysone a year after assuming the presidency led to questions on the power succession issue. The succeeding power-sharing compromise between Nouhak and Khamtai allowed the former to become president and second highest ranking party officer and the latter to succeed Kaysone as party head and premier.

If Khamtai decided to follow Kaysone's footsteps, where the current party chairman also becomes the president, it would signal that Nouhak's time was really over.

This assumption, however, has proven to be wrong as it seems Nouhak will remain as president for another two years.

At the National Assembly meeting held after the recent party congress, members elected Minister of Agriculture and Forestry Gen Sisavat Keobounphan, who was reinstated into the present politburo after leaving it in 1991, as vice president to assist Nouhak.

Political pundits view this as a compromise to maintain party unity, although the role of these two octogenarians are largely seen as ceremonial.

Still, the minor Cabinet shakeup that accompanied the party congress in March revealed an attempt to keep party politics out of the government. It comes at a crucial time when the country is leaning towards allowing technocrats to handle economic affairs and foreign relations in preparation for Laos' planned entry into Asean next year.

But three key ministers who were removed from the party politburo and central committee have continued to stay put, ending previous speculation that they would be marginalised. However, they do not seem to have the same power as before.

Relatively liberal Deputy Prime Minister Khamphoui Keoboualapha, whose views are shared by foreigners in the country, will likely be asked to step down as chairman of the Committee for Planning and Cooperation (CPC), which will be replaced by the State Planning Committee (SPC).

Khamphoui is tasked with handling foreign economic relations, although the recent appointment of Vientiane mayor Maj Bounngang Volachit also as deputy prime

minister would indicate that Khamphoui now has a rival. Bounngang has been credited for his handling of foreign investments in Vientiane and the management of capital. His appointment to the politburo is seen as a reward.

The powerful CPC was said to have been abolished to streamline the decision-making process in the issuance of foreign investment licences, which will now be supervised directly by the premier's office, while economic planning and policy-making will come under the new SPC. "All decisions were made by the prime minister's office. This is just a formalisation of the real situation in Laos," one observer of Laotian affairs noted.

The son of the late Prince Souphanouvong, Khamsai Souphanouvong, an economist assigned to the prime minister's office, was appointed chairman of the newly-created National Institute of Economic Strategy Research.

He was replaced by Minister of Public Health Vannalet Latsapho, while his previous concurrent position as Cabinet chief went to Cheaung Sombounkanh, his deputy and a member of the party's central committee.

It is unclear how much power Communication Minister Phao Bounnaphon wields, but political observers believe his continued presence underlines the importance Laos has given to the infrastructure development. Phao, a French-educated civil engineer, was appointed to his present position during the last Cabinet reshuffle in September 1995.

As one Western diplomat put it: "Laos' leaders have shown how good they are at reaching a compromise and at accommodating everyone".

The same diplomat said the new Cabinet lineup reveals a trend towards the promotion of more technocrats despite their lack of party credentials. Among them are French-educated engineer and vice CPC chairman Bouathong Vonglokharn, who now heads the newly-created State Planning Committee, Deputy Minister of Agriculture Sian Saphangthong, who recently replaced Sisavat and former ambassador to China Phonmek Dalaloi, who succeeded Latsapho.

He however, cautioned that it remains to be seen how effective they will be in improving government efficiency.

In a nutshell, this reshuffle will determine whether the compromise taken by Laos' leaders to maintain party unity and tighten its control over state affairs will work.

Philippines

Philippines: Navy Kills Two Chinese Sailors in 17 Apr Clash

BK2404115696 Hong Kong AFP in English
1147 GMT 24 Apr 96

[FBIS Transcribed Text] Manila, April 24 (AFP) — The Philippine Navy shot dead two Chinese crew members of a boat it mistakenly suspected of intruding on the country's waters near the former US military base of Subic Bay last week, the foreign department said Wednesday.

Several other crew members of the unnamed boat were wounded in the April 17 clash off Tabones island, but the vessel and its crew were released on Friday as "there was no basis" to detain them, a department statement said.

"The Chinese embassy has been informed of the mis-encounter and understands that the action on the part of the Philippine Navy was purely a law enforcement action and did not in any way have political significance," it added.

The attack followed several clashes involving Philippine Navy anti-piracy gunboats near Subic Bay earlier this year. Beijing has previously denied any involvement in these earlier skirmishes.

Chinese embassy spokesmen here were not immediately available for comment Wednesday.

The foreign department said a Navy vessel spotted the unmarked boat it suspected of "illegally intruding into Philippine territory" in the early afternoon of April 17.

"The Navy tried to intercept the suspected vessel by firing warning shots. The foreign vessel ignored the warning shots and tried to flee. After an hour of hot pursuit, the Navy again fired warning shots, but this time, it was fired at by the foreign vessel. The Navy retaliated," the statement said.

It said the Navy saw the boat's crew throwing "an undetermined number of firearms" overboard.

The Navy boarded the vessel 20 minutes after the first warning shots, and established that the 28 crew "were all Chinese nationals."

"A thorough investigation of the incident revealed that the boat was duly registered with a company that operated in Subic and that the crew members were all properly documented," the statement said.

Philippines: Ramos Discusses Prospect of Russia Joining APEC

BK2504061496 Quezon City Radio Filipinas
in English 0230 GMT 25 Apr 96

[Weekly news conference by President Fidel V. Ramos with domestic and foreign correspondents at Malacanang Palace in Manila on 24 April — recorded]

[FBIS Transcribed Excerpt] [passage omitted] [?Paul Buenafe] Good afternoon, Sir. (?Paul Buenafe) of PEOPLE'S TELEVISION. I would just get back to your meeting with the new envoy from Russia. I understand a number of the issues that (Mr. Srinavidsky) raised with you was the increased participation of Russia in the ASEAN as a full dialogue partner and also its intent to become a member of the APEC. Your response to those issues that were raised by the Russian ambassador, Sir?

[Ramos] Well, of course we welcome Russia's increased visibility and of course participation in Asia-Pacific, after all, Russia is a combined European and Asian power. In fact the ambassador said we are from Eurasia, and this is nothing new to us, we have been dealing with the Russian Federation since they were created in 1991. By the way, their independence day is also 12 June just like us.

Three various meets, exchange of delegations of officials, business people and even military delegations, but between here and Vladivostok, we took up the matter of increased defense cooperation, especially in regard to equipment and we said we welcome this but please understand that our policy is like this: it is not just buying end items. It must be procurement with trade factors in place — counter-trade, co-production, and transfer of technology. So that we will not just use our hard earned foreign currency just to buy. Since it is an exchange, then we will soften the requirement on foreign currency. If we can co-produce that means we ensure a lot of man-hours of jobs for Filipinos in the Philippines; and the transfer of technology means we will be upgrading our own capabilities here with the help of our Russian friends and neighbors.

As far as membership in APEC is concerned, well, you know that is by consensus, and right now, there is a moratorium on new members, and that moratorium period will not expire until early 1997. [indistinct passage]

[?Buenafe] Will the Philippines support the bid of Russia to become a full dialogue partner in ASEAN?

[Ramos] Well, the matter again is by consensus and as you saw from the previous ARF [ASEAN Regional

Forum] dialogue meetings that eventually the circle has been enlarged but in any case, I do not want to preempt the collective action of ASEAN. [passage omitted]

[Frank Longid] Good afternoon, Mr. President, Frank Longid from MANILA TIME. Sir, in what other ways will we improve security relations with Russia? Secretary Siazon said we [word indistinct] and besides defense procurement?

[Ramos] Well, the collective efforts of the biggest [word indistinct] around the world, and Russia must be considered still as a big power, [word indistinct] it has not been segregated from the old Soviet Union together with 14 other commonwealth countries. It is still the biggest country in the world — with a huge population and a very advanced science and technology capability; and so that is the larger effort that we must pursue together with Russia and the so-called big powers of the world. We also would like to of course, increase our bilateral trade. At present, although that has increased over the years, the Philippines still suffers from a very big imbalance. It is against us, meaning that we are importing much more from Russia than we are exporting.

We also talked about the need for exchanges especially in science and technology. Russia, as I have said, is an advanced country, but it does not have, anymore, the resources that they used to have in the propagation of their technology and science, and so I said that it is a better network more effectively. [sentence as heard]

Lastly, I and the new ambassador encouraged more people to people exchanges.

[Longid] Sir, to be more particular, will we consider joint exercises or even intelligence exchanges?

[Ramos] No, that was not discussed.

[Longid] Thank you, Sir. [passage omitted]

Philippines: ASEAN To Grant Free Trade Access to CER Said 'Premature'

*BK2504063896 Manila BUSINESS WORLD
in English 25 Apr 96*

[Report by Ma. Clarissa Batino — received via Internet]

[FBIS Transcribed Text] The Association of Southeast Asian Nations (ASEAN) is inclined to deny free trade access to Australia and New Zealand comprising the Common Economic Region (CER) which has been vying for a trade link with neighboring economies.

Undersecretary Cesar Bautista of the Department of Trade and Industry (DTI) said it would be premature to say ASEAN would form a trade alliance with CER,

and accord it with most favored nation (MFN) status it reserves exclusively for its members.

ASEAN is comprised of Brunei, Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam. Three countries, Cambodia, Laos, and Myanmar [Burma] are currently seeking entry into the forum.

The most CER could expect from ASEAN would be an acceptance into the fold for the aligning of customs procedure including phytosanitary entry.

Mr. Bautista added this is one of the topics to be reviewed by the ASEAN Economic Ministers (AEM) and the ASEAN Free Trade Area (AFTA) Council during the 26-27 April meeting in Singapore.

"There are concerns the CER would eat up the market of ASEAN which will work adversely for the members. ASEAN groups countries with more or less the same level of economic growth," he noted.

The DTI official added Australia and New Zealand combined accounts for a greater per capita income and gross national product than the ASEAN.

Same Treatment

The CER wanted almost the same MFN [most favored nation] treatment involving the gradual phasedown of tariff walls under the Common Effective Preferential Tariff Scheme (CEPT).

Mr. Bautista also raised concern over the request of some ASEAN members, particularly Brunei, to even accelerate the lowering of tariffs in the CEPT list to year 2000.

The AFTA has agreed to bring down tariffs between zero to five percent by 2003.

On the other hand, Indonesia and Malaysia are pressing for a two-tiered temporary exclusion list (TEL) in the CEPT which will give qualified products a longer period of tariff phasedown of seven years to 2010, said Mr. Bautista.

ASEAN currently provides for TEL that will have to delay the full opening up of its markets only by a year to 2004.

The forum is said to be divided on the TEL issue since it does not seem logical to implement a two-tiered structure, said the DTI official.

Mr. Bautista said the AFTA Council has its hand full on both the TEL and CEPT acceleration. "They even wanted our rice to be included in the accelerated list but of course we resisted," the trade official noted.

The AFTA Council is tasked to assess the submission of the members for the accelerated list which will involve mostly non-sensitive products like those not manufactured locally and those imported only by each country in relatively smaller volumes.

"I do not foresee a complete list of acceleration. Once this pushes through there will only be one list for all countries. But then again, the leaders may decide something not in the agenda of the AFTA Council," said Mr. Bautista.

ASEAN earlier reported 90% of the products listed in the CEPT could qualify for acceleration. In the upcoming meeting, the group may add some more, he noted.

Philippines: Official Admits No Defense Against Chemical Weapons

BK2504073796 Manila BUSINESS WORLD
in English 25 Apr 96

[Unattributed report — received via Internet]

[FBIS Transcribed Text] The Department of National Defense [DND] yesterday admitted it does not have the technical capability to detect chemical agents used in chemical weapons. However, DND officials downplayed the possibility of chemical attacks, saying it is "far-fetched and remote." Defense Undersecretary Romeo Zulueta made the admission during a Senate hearing on the proposal to ratify a United Nations convention banning chemical weapons. But he was quick to explain that while the Armed Forces of the Philippines does not have the ability to detect these chemical elements, it does not deal directly with such attacks.

Serafin Talisayan of the National Security Council said the government lacks the technical knowledge in monitoring the presence of "dual use chemicals" where two types of chemicals may be harmless but becomes destructive when mixed. Mr. Zulueta said countering terrorists who may use chemical weapons is the primary responsibility of the Philippine National Police [PNP]. "We do not have the technology to counter chemical weapon attacks but the PNP, National Bureau of Investigation and the Department of Science and Technology and other universities with science laboratories can join hands to do that." Senator Juan Flavio Velasco expressed concern the ratification of the convention may place the country at a disadvantage since it cannot develop weapons which could be used to counter such terrorist attacks. A Department of Foreign Affairs official, however, said the Philippines can ask the United Nations Security Council for help in case of a chemical weapons attack.

Philippines: Rift Revealed Within Struggle of Democrats Party

BK2504064296 (Internet) The Journal Group WWW
in English 24 Apr 96

[This web page publishes material from four daily newspapers and a weekly magazine put out by the "The Philippine Journalists, Incorporated (PJI), also known as The Journal Group." The dailies are THE PEOPLE'S JOURNAL, THE PHILIPPINE JOURNAL, THE PEOPLE'S JOURNAL TONIGHT, and THE PEOPLE'S TALIBA. The weekly is the WOMEN'S JOURNAL; report by Bert Corvera]

[FBIS Transcribed Text] Laban rift bared; Angara facing strong challenge. Sen. Gloria Macapagal-Arroyo may even replace Angara as the LDP [Laban ng Demokratikong Pilipino — Struggle of Filipino Democrats] presidential standard bearer in 1998, Senate observers say.

Macapagal-Arroyo broke the news of the deepening resentment against Angara within the party during the launching of the Diosdado Macapagal Awards for Model Farmers' Cooperatives yesterday.

She said Cojuangco, brother of former President Corazon Aquino and erstwhile LDP secretary general, has been displeased with the organizing sorties of Angara's people in Tarlac and in Region 3 behind his back.

Cojuangco heads the region's party chapters.

Macapagal-Arroyo said if Cojuangco goes up against Angara, it will be a "close" contest.

She said Cojuangco, Rep. Hernando Perez, and Rep. Dondon Bagatsing met the other night at the Manila Pavilion, apparently to map strategy for the challenge against Angara.

The new development bolsters Sen. Heherson Alvarez's contention that Angara had been undemocratic in his handling of party matters. He has said he would run against Angara as LDP chairman during the May 31 convention.

Alvarez and Sen. Raul Roco, were among the leaders of the plot to oust Angara as Senate president last year. As a result, Sen. Orly Mercado resigned from the party.

Angara has since been performing the job of minority leader in the Senate and Macapagal-Arroyo has been a close supporter of the deposed Senate president in the seven-member "Conscience Bloc."

Macapagal-Arroyo said she also heard complaints from the LDP Pampanga chapter about the modus operandi of Angara's boys similar to that in Tarlac.

Perez has been reported not wholly sold to Angara's style of leadership and his doubts surfaced at the height of Angara's tiff with Alvarez last year.

A statement from Laban deputy secretary general Enrique Zaldivar said he maintained that no Laban leader or member had been "shut out" from preparations for the party's national congress next month.

"We have been adopting a consensus approach in all our preparations," Zaldivar said. "We have not kept anyone in the dark."

Thailand

Thailand: ASEAN To Fight U.S. Ban on Shrimp Imports

BK2504075296 Bangkok Radio Thailand Network in Thai 0000 GMT 25 Apr 96

[FBIS Translated Text] Regarding the United States' move to ban the import of shrimps from various countries including Thailand, the meeting of ASEAN fisheries department director-generals has unanimously adopted a resolution to ask the United States to withdraw names of ASEAN member countries, including Thailand.

Fisheries Department Director General Plotprasop Suratsawadi told a Public Relations Department reporter that the Court of International Trade has rejected the U.S. appeal to postpone the enforcement of the sea turtle conservation law by one more year. The U.S. government, has recently filed an appeal to the county court, but it will be some time before the final results are known. Therefore, from 1 May onward, the United States will prohibit shrimp imports from 56 countries including Thailand.

The meeting of ASEAN fisheries department director-generals in Singapore two days ago concluded with its five-point stance. Apart from assigning the ASEAN office to send a letter to the United States Government asking it to withdraw ASEAN members from the list of prohibited countries, it will also propose that U.S. and ASEAN scientists conduct joint study and research on this issue.

[Begin Plotprasop recording in progress] ...next is the issue between seven ASEAN countries and the United States Government on the withdrawal of ASEAN countries from the list. We will not ask the U.S. to postpone the enforcement of the law [on sea turtles conservation] but that ASEAN countries be excluded from the list. This is the first resolution. The second resolution is to win U.S. confidence in our sea turtle conservation projects, and to do that we will launch a joint study and research program for ASEAN and U.S. scientists. Inter-

national organizations and the private sector will also be invited to participate. Our third resolution is to instruct the ASEAN office to inform the U.S. and the World Trade Organization [WTO] that the U.S. enforcement of a domestic law on turtle conservation, which incidentally involves shrimp fishing, does not comply with WTO principles. Resolution Four is that...apart from ASEAN which consists of seven countries, the meeting has assigned Thailand to consult 51 other countries. The last resolution is that ..at the meeting of the APEC in Chile in May, which several ASEAN fisheries department director-generals and I will attend, we will announce the ASEAN position. [end recording]

Thailand: NSC Chief, U.S. Official Discuss Khun Sa, Narcotics

BK2504093296 Bangkok Radio Thailand Network in Thai 1200 GMT 24 Apr 96

[FBIS Translated Text] The secretary general of the National Security Council [NSC], General Charan Kulanit, said the United States believes Khun Sa's surrender to the Burmese Government will end the fighting between the ethnic minority groups and Burmese Government troops, thus benefiting those who live along the Burmese border. It does not, however, think that Khun Sa's surrender will result in a drop in the narcotics problem. The NSC secretary general briefed newsmen at Government House on his meeting with the U.S. State Department's Mekong Regional Development Division director, David Arthur, on 24 April. SLORC [State Law and Order Restoration Council] Chairman Senior General Than Shwe, and SLORC Secretary General Lieutenant General Khin Nyunt announced that Burma had no policy of supporting cultivation and production of narcotics. This is something one can believe; however the United States does not expect implementation to take place soon.

Thailand: 'Source' Claims 5 Politicians on Khun Sa's Payroll

BK2504064196 Bangkok THE NATION in English 25 Apr 96 p A1

[Report by Yindi Loetcharoenchok]

[FBIS Transcribed Text] Opium warlord Khun Sa, wanted by the United States on 10 drug trafficking counts, has undergone debriefing at a safe house in Rangoon since early March and has claimed that five prominent Thai politicians were on his regular payroll, according to a highly-placed source.

The source said Khun Sa, who struck an undisclosed peace deal with the Burmese junta in January after a series of secret negotiations beginning last October, also

named two Western diplomats posted to a neighbouring capital as being on his payroll. The source could not confirm the identities of the seven, nor whether the diplomats are still working in the region.

A colonel in the Directorate of the Defence Services Intelligence, recently promoted to brigadier general, was in charge of debriefing Khun Sa at a safe house in the Burmese capital, the source said on condition of anonymity.

The source believed Khun Sa had agreed to the debriefing as part of a secret deal so that he would not be extradited to stand trial in the US nor be prosecuted for his alleged crimes in Burma.

Several sources confirmed this week that Khun Sa and his chief-of-staff, Chang Shuchuan - known as Sao Fahlang in the Shan language - still remain at a safe location in Rangoon under tight security.

While some sources said the two men are staying at a house on Inya Lake others said they are living in a house in the same compound as Burmese junta leaders and top military officers.

The junta, known as the Burmese State Law and Order Restoration Council, sent a helicopter to pick up Khun Sa in early March, his third trip to Rangoon since he surrendered his well-equipped Mong Tai Army and his Ho Mong headquarters to the military rulers in early January, the sources said. His first trip took place in January, while his second was in February.

Chang Shuchuan left for Rangoon during the third week of March, the sources said.

Khun Sa's uncle, Khun Seng, who shuttled back and forth as one of the mediators between Rangoon and the 62-year-old drug warlord, has remained in Rangoon since late last year, where he is said to have opened a number of businesses.

The sources said Khun Sa has appointed his second son, Sao Zarmhurng, to look after the Ho Mong and daily administration during his absence.

Although Washington insisted on Khun Sa's extradition and placed a US\$2 million (Bt[baht]50 million) price tag on his head after Rangoon flatly rejected its extradition call, it has not attempted to apprehend the man it accuses of being responsible for more than 60 per cent of heroin flow into the US. Several sources expressed surprise that the US has not pursued Khun Sa's extradition and said Washington might become trapped by its own policy on dealing with the situation.

Thailand: ASEAN To View 'Complicated' Farm Product Tariff Cuts Issue

BK2504055096 Bangkok BANGKOK POST in English 25 Apr 96 p 6

[Report by Siritdet Marakkhathat]

[FBIS Transcribed Text] ASEAN economic ministers meet here tomorrow in the AFTA [ASEAN Free Trade Area] Council to try to find a timetable for farm product tariff reductions, the last piece of the grouping's effort to see a complete free trade area.

The issue appeared more complicated following Indonesia's proposal to put its key goods - rice and sugar - into a highly sensitive list and its desire to start cutting tariffs in a 10-year period ending in 2010.

The council, set up to monitor progress of tariff cuts to create the ASEAN Free Trade Area, will sign the ASEAN Investment Cooperation [AICO] and discuss plans to make the scheme more attractive for investors.

Finance Minister Surakiat Sathianthai represents Thailand in the council whose outcome will be presented for decisions by an informal meeting of ASEAN economic ministers set for Saturday. Deputy Prime Minister Annuai Wirawan represents Thailand in the informal meeting.

Senior economic officials could not break the deadlock over tariff reduction on unprocessed farm goods in a one-day talk ending on Tuesday to prepare for the ministerial events.

The grouping has designed the sensitive and highly sensitive lists to put the products on in order to start lowering tariffs. The latter list will be given more time for the reduction.

ASEAN will transform into a free trade area in 2003 with the reduction of tariff to no more than five percent except agricultural products. Vietnam has been given a three-year grace period.

Besides Indonesia, other ASEAN countries had their own problems to tackle, according to the outcome of the senior official meeting.

Malaysia has not yet decided which reserved items should be put on both lists, but suggested the rate be between 20 and 26%. The Philippines has yet to declare the status of rice.

The ministers will sign the agreement to approve the AICO on Saturday and attempt to find a consensus on four supplementary conditions to reap more benefits from the AICO.

The scheme was created during the ASEAN summit in December in Bangkok to encourage intra-ASEAN industries as projects under AICO will benefit from low import tariffs for raw materials and machinery and be subject to the same tax structure as domestic items.

It requires, among other things, an applicant to have at least 30 percent of national equity in the firm owned by ASEAN members.

But the grouping agrees to have supplementary conditions to make it easier for investors to join the scheme.

The proposed conditions are that a corporate could take advantage of the scheme with at least 30 percent equity in the company held by an ASEAN nation or 40 percent by more than two ASEAN states, an eligible company will produce new products with technology to benefit the region.

The other two are a requirement for the company to export more than 50 percent of the products, and projects under the Brand-to-Brand Complementation scheme could be given an opportunity to enjoy the AICO privileges.

BBC was set to support the cooperation among automotive parts manufacturers.

Thailand supported allowing export-oriented companies to be able to benefit from the programme in order to allow non-ASEAN firms with a base in ASEAN to join, while Malaysia prefers having all supplementary conditions to be the criteria for eligible participants.

Thailand: ASEAN To Focus Efforts on Upgrading Labor Standards

BK2504055196 Bangkok BANGKOK POST in English 25 Apr 96 p 6

[Report by Withanon Phongphairot and Nutsara Thaithawat]

[FBIS Transcribed Text] The 11th meeting of ASEAN Labour Ministers opens today for yet another round of talks on cooperation to upgrade regional labour standards.

The highlight of the two-day meeting, to be opened by Deputy Prime Minister Chawalit Yongchaiyut, will be the strong position taken by ASEAN against attempts by some developed countries to link trade to social issues related to labour practices.

ASEAN views the linkage issue raised by the mostly developed countries as a strategy to block the grouping's exports from gaining access to their markets.

The developed countries, however, claim they are only trying to promote labour rights at the international level.

Apart from the linkage issue, ASEAN will mostly proceed with the same kind of academic and technical cooperation which has taken place within the grouping since the first meeting of its labour ministers 22 years ago.

A senior labour expert said ASEAN does not have a great deal of money and therefore has to cooperate through exchanges of experience and training programmes. Such exchange programmes are mostly funded by donations from such bodies as the United Nations Development Programme and the International Labour Organisation.

The labour expert claimed the exchanges were one factor responsible for raising Thailand's labour standards.

"Often, we refer to the standards of fellow ASEAN members when working on new labour regulations," she said.

Nithatsana Thirawit, deputy permanent secretary of labour and social welfare, said ASEAN was progressively working towards establishing a uniform labour standard within the grouping in response to the ever increasing mobility of labour in the region.

Tens of thousands of Thais work in Singapore, Brunei and Malaysia, some under longterm contracts, others on seasonal ones. The same applies to Philippine workers in these countries, and increasingly in Thailand as well.

The idea of having "one certificate for all ASEAN" to standardise labour skills and practices originated from the first ASEAN Skills competition held in Malaysia in 1994, said Ms Nithatsana.

The second ASEAN Skills competition is to be held in December in Manila.

"This is an opportunity for young workers to develop their skills, and for countries to compare their labour standards," she said.

From the original seven categories which included such skills as carpentry, construction and mechanics, the competition has now expanded to cover more than 10 categories.

Ms Nithatsana said the competition served as a forum to compare the work skills of citizens of member countries, adding it encouraged ongoing development and standardisation.

Senior officials preparing for the ministers' meeting said the following four key programmes would be earmarked for increased cooperation among ASEAN countries:

-the promotion of self-employment and development in the informal sector;

- the ASEAN training and information centre aimed at improving working conditions and the environment
- the ASEAN industrial relations programme, and
- the ASEAN human resources and development planning programme.

Ms Nithatsana said through the promotion of self-employment and the teaching of business and management skills, people became less dependent on employers because they were more able to conduct their own business to derive an income.

According to Ms Nithatsana ASEAN also places great emphasis on developing human resources as a means of raising work standards within the grouping.

In addition, the ASEAN industrial relations programme is now also underway to help member countries promote and achieve constructive and peaceful relations between governments, employers and workers, according to Ms Nithatsana.

Thailand: Australia's Downer on 'New Focus' in Aid Program

*BK2204020996 Melbourne Radio Australia
in English 1100 GMT 21 Apr 96*

[FBIS Transcribed Text] Australia's foreign minister, Alexander Downer, has refused to rule out further cuts to overseas aid beyond the \$100 million [Australian dollars] a year for the three next years already foreshadowed. Evan Williams reports that Mr. Downer has announced the new focus on corporate sponsorship in Australia's aid program:

[Begin recording] [Williams] Mr. Downer says aid will focus more on self-sustaining small-scale projects like several he visited in Bangkok, where small businesses are started up with aid funds they repay. Mr. Downer refuses to rule out further aid cuts in the next budget, but stresses the aid budget will have an overall review as there are some projects he says are unimpressive and not in line with the new focus on self-sustaining work. Mr. Downer wants Australian business more involved in overseas aid projects and he will actively seek such support for specific projects, especially from financial institutions:

[Downer] This process of engagement with Asia is a process for all Australians, not just for the government or the foreign minister or the prime minister. It is a process, of course, for the business community, and if the business community plays their part in our aid program then I think it is going to make a very big difference to the perception regionally of Australia and our business community. [end recording]

Thailand: Editorial Warns Industrial Development May Result in Crisis

*BK2504064396 Bangkok THAILAND TIMES
in English 25 Apr 96 p A4*

[Editorial: "The Fourth Social Crisis"]

[FBIS Transcribed Text] Dr Prawet Wasi, in his writings and lectures, outlined three major crises the Thai nation has been through and has been able to overcome. These crises were: the collapse of Ayutthaya, the Kingdom which was sacked by the Burmese in 1767; the invasion of Western imperialism in the colonial era when Britain and France expanded their influence into Southeast Asia; and the Communist insurgency that threatened to turn Thai society upside down with an alien system and ideology. Through a combination of factors, the Thai nation was able to withstand the onslaught of these three crises successfully. The present crisis Thai society is now facing, argues Dr Prawet is none other than self-destruction. This assertion merits a serious discussion.

Dr Prawet argues that with the ultimate goal of economic strength, great efforts have been made with the attempt to bring about economic development. Thailand has registered impressive growth figures annually for the past decade. We are now on the verge of becoming a newly industrialized nation. Foreign investors have been pouring in capital for a variety of projects and the country has been transformed, for good or for ill, from an agrarian economy into that of a semiagricultural and semi-industrial economy. If the trend continues, by the turn of the century? Thailand will be classified as an industrial nation.

Despite this impressive economic growth, what has been overlooked in economic planning over the past decades have been the social consequences of progress. Dr Prawet argues that the village way of life has been uprooted in the process of generating economic growth. Able-bodied men and women have migrated to the capital city, to the peripheral areas and the Eastern Seaboard where the petrol chemical industries are situated. As a result, rural areas, especially in the Northeastern part of the country, have undergone great demographic changes. Northeast Thailand is now mostly inhabited by elderly people and children.

Dr Prawet observed that we have also destroyed our forests and other natural resources, creating environmental problems in the process of economic development. Most importantly, Dr Prawet argues, is that we have destroyed our moral and ethical principles.

Based on Dr Prawet's arguments, we can observe the fact that millions of poverty-stricken rural dwellers continue to be poor. The disparity between the wealthy and the

poor is widening progressively. The consequence of this is the scramble for land and water for livelihood among the rural poor. This situation could be explosive if we account for the fact that the building of resorts and industrial complexes is at the expense of agricultural land where the poor have to earn their living. The struggle for the scarce water between the industrial sector and the agricultural sector is also inevitable.

Unless this fourth crisis is nipped in the bud, it could develop into a major crisis marked by confrontation and conflict between these two groups. The poor who have very little recourse, may be forced to turn to violence as a means of bargaining for their demands. This would end up in clashes with authorities who have to keep law and order, probably resulting in bloodshed.

Unless problems resulting from unbalanced development are tackled in earnest, the fourth crisis claimed by Dr Prawet to be plaguing our society will become a nightmare for the nation. Mobs protesting in front of the Government House were mostly the rural poor, whose demands consisted of land for their agriculture and the issues of dam construction. These protests are perhaps a sign of the coming crisis which aptly fit the vision of Dr Prawet and other concerned citizens.

Vietnam

SRV: Vu Oanh Attends Memorial Service for Tran Van Tra

BK2504090596 Hanoi Voice of Vietnam Network in Vietnamese 1430 GMT 24 Apr 96

[FBIS Translated Text] A memorial service with military honors was held for Senior Lieutenant General Tran Van Tra at the 7th Military Region Headquarter's Conference Hall this morning.

Attending were Comrade Vu Oanh, member of the Political Bureau who represented the party Central Committee; Nguyen Thi Binh, vice president of the state; Nguyen Khanh, deputy prime minister; Vo Tran Chi, member of the Political Bureau and secretary of the Ho Chi Minh city party committee; General Vo Nguyen Giap, and a large number of comrades representing various party organs, the National Assembly, the government, the Vietnam Fatherland Front, the Ministry of National Defense, the Vietnam War Veterans Association, various branches and mass organizations at the central and local levels nationwide; many veteran revolutionaries, friends and family members of Comrade Tran Van Tra.

With deep grief, Comrade Senior Lieutenant General Dao Dinh Luyen, member of the party Central Committee, deputy minister of national defense, and chairman of the funeral committee, delivered the eulogy for

Comrade Senior Lieutenant General Tran Van Tra. The eulogy says:

In nearly 60 years of continuous combat and noncombat activities spanning two wars of resistance against French colonialism and U.S. imperialism, Comrade Tran Van Tra, in various assignments, proved himself to be absolutely loyal to the party, the fatherland, and the people. He was brave in combat and was known for his enthusiasm and loyalty to his friends and comrades-in-arms, as well as his close ties with and his affection for his combatants. He always upheld the qualities of a party member and a revolutionary cadre. That is why he was loved by his cadres and combatants everywhere he worked.

During the years he spent operating in the southern battlefield, he devoted all his experience to helping local party echelons and party organizations build the armed forces and revolutionary bases. He led the entire southern people in launching constant offensives on enemy troops, scoring many important victories, and thus contributing to the liberation of the south and the unification of the fatherland.

Due to his contributions to national liberation and defense, Comrade Tran Van Tra had been awarded two Ho Chi Minh Orders and many other high distinctions by the party, the National Assembly, and the state.

After the memorial ceremony, the participants escorted a hearse that brought Comrade Tran Van Tra to his final resting place at the Ho Chi Minh City War Dead Cemetery.

SRV: Government Meeting Discusses Health, Rural Development

BK2404132696 Hanoi Voice of Vietnam Network in Vietnamese 1100 GMT 24 Apr 96

[FBIS Translated Text] The government held its regular meeting for April in Hanoi on 23-24 April under the chairmanship of Prime Minister Vo Van Kiet.

The cabinet members heard and discussed the strategy on public health care until 2000 and 2020 presented by Health Minister Do Nguyen Phuong; the program on rural development for 1996-2000 submitted by Nguyen Cong Tan, agriculture and rural development minister; and the draft regulations on bidding suggested by Planning and Investment Minister Do Quoc Sam. The cabinet also considered a report presented by Deputy Construction Minister Nguyen Manh Kiem on supplementing and revising the investment and construction management regulation that was issued along with Government Decree No. 177 on 20 October 1994.

Minister Le Xuan Trinh, director of the Government Office, read a report compiling the cabinet members' opinions on the draft bill on procedures and authority for the promulgation of legal documents and regulations on radiation control [kieemr soats buwca xaj] for submission to the National Assembly Standing Committee. The minister also reported to the cabinet on the government's regular tasks in April and major tasks for May.

Prime Minister Vo Van Kiet spoke at the conclusion of the meeting. Regarding the strategy on public health care, the prime minister mentioned the need to examine the disease prevention and treatment system from the central to the local level to eliminate unreasonable aspects, develop fine aspects, and supplement necessary aspects to build gradually a proper and modern health sector that meets the new requirements. Regarding rural development, he stressed the necessity to define clearly the industrialization undertaking in rural areas and the tasks and targets that should be achieved in the plains, highlands, and mountainous regions from now until 2000. He demanded that the leaders of all sectors, branches, and localities clearly define their tasks in their instructions and coordination on the implementation of the outlined rural development program. Their tasks must include the mobilization of great resources in every locality for this significant undertaking.

SRV: Philippine Defense Secretary Arrives 24 Apr

*BK2404150896 Hanoi VNA in English
1432 GMT 24 Apr 96*

[FBIS Transcribed Text] Hanoi VNA April 24 — Secretary of National Defense Department of the Philippines, Renato S. De Villa, arrived here this morning for an official friendship visit to Vietnam at the invitation of his counterpart Gen. Doan Khue.

The Philippine secretary was accompanied by high-ranking officers of the Philippine Army.

The Philippine guests were welcomed by Gen. Doan Khue and other high-ranking officers of the Vietnam People's Army and Philippine Ambassador to Vietnam Rosalinda Tirona.

Defence Minister Doan Khue and his Philippine counterpart Renato De Villa also exchanged views on issues of common concern.

SRV: President Receives Philippine Defense Secretary

*BK2404151196 Hanoi VNA in English
1439 GMT 24 Apr 96*

[FBIS Transcribed Text] Hanoi VNA April 24 — President Le Duc Anh received here this afternoon

the visiting Philippine secretary of national defense department, Renato S. De Villa.

Defence Minister Doan Khue was present at the reception.

Mr. Renado De Villa conveyed Philippine President Fidel Ramos's regards to President Anh, and expressed his belief that his visit would make positive contribution to promoting and strengthening the friendship and cooperation between the two defence ministries in particular and the two peoples in general, for the benefits of the two peoples, and peace, stability and development in the region.

President Anh said he firmly believed that the friendship and cooperation between the two peoples in the economy, trade, science and technology would be constantly enhanced and developed for the prosperity of the two countries, thus contributing to maintenance of peace, cooperation and development in the region.

President Anh, on this occasion, asked Secretary R. De Villa to convey his best regards to Philippine President Fidel Ramos and his wife.

SRV: Deputy Minister Discusses Labor Disputes

*BK2404130396 Hanoi NHAN DAN in Vietnamese
5 Apr 96 pp 1, 3*

[Interview with Le Duy Dong, deputy minister of labor, war invalids, and social welfare, by Khoi Nguyen; place, date not given]

[FBIS Translated Text] [Correspondent] Comrade Le Duy Dong, our Labor Code has taken effect since 1 January 1995. How do you assess the implementation of this code by foreign-invested business establishments?

[Le Duy Dong] The Government has issued Decree 233 before the promulgation of the Labor Code to tackle labor issues in those business establishments. Generally, foreign-invested business establishments have seriously observed the Labor Code and related instructions, since their application. This especially refers to those with substantial investments, and is reflected in their observance of regulations on wages, income, work safety, sanitation, labor discipline, work attitude... Many Vietnamese workers have acquired hightech knowledge and new economic management, foreign languages, and public relations skills to function in the market-oriented economy. Some 1,200-1,500 foreign businesses are operating in our country, employing about 90,000 workers. Though 70 percent of Vietnamese workers have signed labor contracts with their foreign employers, a collective labor agreement has not been reached yet.

As we already know, labor disputes and violations against the Labor Code have occurred mainly in small-size foreign business establishments. Most of these incidents have been traced back to facilities owned by foreign investors from the Republic of Korea and Taiwan.

[Correspondent] Can you elaborate on the types and causes of these violations?

[Le Duy Dong] As I have already mentioned, only 70 percent of Vietnamese employees have signed labor contracts with their foreign employers. The remaining 30 percent are employed by business establishments with small investment capital ranging from U.S.\$500,000 to \$1,000,000. The lack of labor contracts or the signing of formalistic, non-binding labor contracts is one of the causes of these labor disputes.

A number of foreign-invested business project owners have departed from labor regulations by extending the probationary period (30-60 days for unskilled workers and six months for skilled workers) or by intentionally increasing the number of working hours or by setting job requirements far beyond the physical endurance and health of Vietnamese workers (therefore, to meet job requirements, Vietnamese employees must work harder and longer; some of them even as long as 16 hours a day). Besides, as we still do not define job requirements, foreign employers impose their own on Vietnamese workers.

The minimum wage set by the state is \$30 or \$35. Though this rate is not supposed to apply to skilled workers, foreign-invested business owners stick with this rate and apply it on an extended basis, taking into account the fact that job opportunities are limited and that Vietnamese workers fear being laid off.

By the way, I would like to make it known that Tran Dinh Hoan, minister of labor, war invalids, and social welfare, signed a decision on 1 April setting the minimum wage for unskilled workers as follows: \$45 per month for those working for foreign businesses based in Hanoi and Ho Chi Minh City, \$40 per month for those employed by foreign businesses based in category 2-cities, \$35 per month for those employed by foreign businesses based in the remaining provinces, and \$30-\$35 per month for those employed by foreign businesses based in localities that experience difficulties, have poor infrastructure, employ a large work force, or face difficult problems concerning production or business operations (application must be pre-approved by the Ministry of Labor, War Invalids, and Social Welfare). The decision also pointed out that this minimum wage will not apply to those who have learned a skill and become

professional workers. The decision will take effect on 1 July 1996.

Another cause can be traced back to the fact though in the course of project planning, owners of foreign business establishments have studied Vietnamese law carefully, their newly-arrived managing directors are not familiar with our law, especially our Labor Code. Furthermore, many incidents have occurred due to the language barrier and different customs and practices of the parties involved.

[Correspondent] On our side, are there any lessons to be drawn and adjustments to be made?

[Le Duy Dong] First, some Vietnamese cadres working in the joint ventures have not satisfactorily fulfilled their duty in helping both foreign partners and our workers understand the law. Some of them even take the side of the foreign partner in labor disputes, thus badly affecting our workers' legitimate interests.

After the promulgation of the Labor Code, sub-laws should be quickly introduced to bring the code into life. However, so far there have been no legal documents on the settlement of labor disputes. Moreover, the inspection and control work of local labor organs and workers' unions are still limited, thereby discouraging employers from observing the law. The inspection sector of the Department of Labor, War Invalids, and Social Welfare is insufficient. The total number of enterprises from all economic sectors has increased to more than 30,000, but each locality has only 3-4 inspection officials. With the wide area of work covered by the Department of Labor, War Invalids, and Social Welfare, these officials cannot fulfill their duty. We have suggested that a different system be used for the labor inspection work.

Most of the workers do not fully comprehend their legal rights and obligations. Therefore, they do not know what to do when they sign the labor contract or are in a labor dispute. Many of our workers are former peasants or artisans without a proper industrial working attitude. When starting to work in a new environment, they do not strictly observe working disciplines. Foreigners usually remark: Vietnamese workers have a high level of education and they can learn advanced technologies very quickly, but they do not have a high level of discipline.

A very important thing that needs to be mentioned here is the lack of a workers' union in foreign-invested business establishments. There is no workers' union at all in enterprises with 100 percent foreign capital. If there is no workers' union, the collective labor contract cannot be signed and the grassroots conciliation council

(which includes representatives from the workers' union and the employer) cannot be formed.

Our normal practice is to try to "put out a fire" after it has broken out rather than deal with it in a timely, proper, and strict manner. Therefore, the number of labor disputes is tending to increase.

[Correspondent] Dear comrade, apart from the recent adjustment of minimum wages, what should we do to improve the aforementioned situation?

[Le Duy Dong] Opening the door and calling for more foreign investment is still the policy of our party and state. Settlement of the current problem will improve the cooperation and investment for both sides. It is necessary to quickly introduce legal documents on labor to all enterprises. We are preparing a meeting with foreign-invested business establishments to examine and evaluate the implementation of the Labor Code.

We need to quickly set up a grassroots workers' union before setting up a conciliation council in foreign-invested enterprises and a local arbitration council to settle labor disputes when the conciliation council fails to do so. It is necessary to strengthen the inspection of and control over the implementation of the Labor Code in all enterprises. As regards the current labor disputes, the Department of Labor, War Invalids, and Social Welfare is to work with the local people's committee and workers' union to settle them quickly.

The government will soon issue a decree on the administrative penalties to be imposed on enterprises violating the stipulations of the labor code.

[Correspondent] Thank you, comrade.

SRV: An Lac Shoe Factory Workers Stage Strike

BK2504091696 Ho Chi Minh City SAIGON GIAI PHONG in Vietnamese 13 Apr 96 p 1

[FBIS Translated Text] Some 700 workers of the ladies' shoes workshop of the An Lac Shoe Company staged a labor strike and raised five demands for their management to satisfy. It has been reported that the workers have thus far received no salary for April (two days behind schedule). Also, they have only received an advance amount of some 100,000 dong per person for March but have not yet received their full pay. The workers also demanded that the management reduce their daily working hours (which now begin at 0730 and end at 1930). In response to these demands, Mrs. Chau Hue Cam, the company's director general, argued that the company was forced to cut its working hours during March and April, resulting in low production output for the company and less pay for its personnel, because the company was busy installing two production lines

at the ladies' shoes workshop and has been providing professional training to its workers. The company has negotiated with the buyers of the shoes that the company has been contracted to manufacture for their help with the payment of an additional 350,000 to 400,000 dong to each worker. This amount of money will be paid to the workers on 13 April. As for the other issues, the company will study and resolve them satisfactorily within 10 days. The workers are satisfied with the initial steps taken by management to resolve this case, and they have pledged to return to their normal work on 13 April.

It is reported that the company's trade union executive committee had been informed of the workers' demands prior to this labor strike, but no timely action had been taken by the company.

SRV: Oil, Gas Chief Discusses 1996-97 Plan

BK2504104296 Ho Chi Minh City THOI BAO KINH TE SAIGON in Vietnamese 21-27 Mar 96 pp 9, 35

[Interview with Ho Si Thoang, director general of Vietnam Oil and Gas General Corporation or PetroVietnam, by Tan Duc; place and date not given]

[FBIS Translated Text] [Tan Duc] In 1995 Total announced their decision to withdraw from the Oil Refinery No. 1 project. They announced recently that they were ready to participate in the Oil Refinery No. 2 project. What comments do you have on this news?

[Ho Si Thoang] The decision by Total to withdraw from the Oil Refinery No. 1 project is their internal business. It was part of their business strategy and tactics. For a large project such as an oil refinery, and for a large company such as Total, any adjustment in strategic policy is quite understandable. In the field of international investment, such an event is not rare.

They recently announced their readiness to participate in Oil Refinery No. 2. We consider that a token of goodwill and we welcome it.

At present, the number of companies wanting to participate in Oil Refinery No. 2 is large; Total will be treated equally with other companies. We think that the news regarding Total coming back is normal. It simply means that Total does not want to leave Vietnam. And in fact Total is operating in Vietnam, primarily in oil prospecting. At present they have a block where oil and gas has been found. They are also a partner with the contractors for Dai Hung [Big Bear] oil field and a partner in a joint venture with us and Thailand to distribute gas, and there can be more projects in the future.

[Tan Duc] The Mitsui group recently announced that they would withdraw from the project to build the first

liquefied gas plant in Vietnam. Could you please inform us if there is any company ready to fill Mitsui's place? And what is PetroVietnam's decision? Also, with the withdrawal of Mitsui, the prospective main financier of the project, will the project be slowed down?

[Ho Si Thoang] Again, Mitsui have their own reasons for the withdrawal from the project, just like Total from the oil refinery. We do not see that as an indication of deteriorating relations between the two sides.

PetroVietnam will have to go ahead with the project, with or without Mitsui. In fact, in the early stages of the project, we expected to join forces with Mitsui and British Gas in building the conduct pipe (which we are now using), the central compressor platform for the Bach Ho [White Tiger] oil field (at present we are hiring Samsung and Buoygues Offshore to build it, with costs estimated at nearly \$125 million), and the liquefied gas plant and other inland facilities.

To date, only the last part of the project remains to be completed: the liquefied gas plant and other inland facilities for export services (storehouses and quays).

As Mitsui has left, we and British Gas are continuing our negotiations. Furthermore, many other companies have expressed their wish to cooperate with PetroVietnam in this project, so we are not at all concerned about lacking partners. The more important thing is that the project should be carried out within the time schedule.

Once again we would emphasize PetroVietnam's resolve in this matter and our confidence that we can fulfill the project as assigned by the government, including the completion of the gas conduct pipe system from the Bach Ho oil field to the liquefied gas plant and the distribution of dried gas to consumers in mid-1997.

[Tan Duc] It is known that PetroVietnam has completed the masterplan on fuel gas development and the plan is now being considered by the government. If possible could you please give some major features of the demands for gas investment and consumption described by the masterplan?

[Ho Si Thoang] The project concerning the fuel gas masterplan was not carried out by PetroVietnam but by a working team under the auspices of the Ministry of Planning and Investment. We are only members, though of course we are the major ones.

First, I need to stress that so far we have just begun to estimate Vietnam's gas potential. Normally it takes other countries several years, or even decades, to complete this estimation task. We have just discovered gas in Vietnam during the last couple of years. We believe that the gas reserves in Vietnam will be relatively large,

at least they will be adequate to satisfy the demand of industrial development for the years to come and for several decades into the 21st century.

Based on the existing figures, we are sure we have enough for the demand in the coming years, for example about 5-7 billion cubic meters each year. The main tasks of the plan are to estimate the prospects and consider the demands in the years to come, including the demand in production for electricity, fertilizer, and chemicals and the demand for fuel material in various industries.

In short, so far we can confirm that for domestic use only, from now until 2000, 2005, or even 2010, we can be completely assured that the supply of gases (natural and associated gases) will be adequate for our domestic industrial development targets.

We are in the process of preparing to put into service gas reserve No. 06 in South Con Son and to bring gas to land in 1998. It is important for us to start the project. Once we start operations, we will have the advantage of 350-km of conduct pipe bringing gas inland and to Bien Hoa and Ho Chi Minh City.

[Tan Duc] Lastly, could you please outline some of PetroVietnam's main projects in 1996, which is the first year your general corporation starts operations under the new finance regulation mechanism?

[Ho Si Thoang] In the 1996-2000 period PetroVietnam will continue its process of fine-tuning in terms of structure, functions, and activity content, including prospecting, exploitation, and transportation.

We are going to build Oil Refinery No. 1, so we will also need to build processing plants, petro-chemical plants, and other projects such as those concerned with the distribution and export of petrol products, crude oil export, and petrol-related services. In general, in the next five years PetroVietnam will strive to be present in all areas of the oil and gas industry and to become an oil and gas corporation of international caliber.

Regarding financial regulations, since late 1994 the government has had a temporary financial policy for PetroVietnam. That is a very open policy. In the near future, we will surely have a new and official policy based on the business law and the regulations for state general companies. In this area, we hope that the state will soon complete the legislation and regulations regarding the activities of major general companies, including our Vietnam Oil and Gas General Corporation, so that we can operate better. Of course, the main responsibility for developing and showing our capacity and self-reliance rests with ourselves. The state will provide its support for us in our development.

Other countries have many state-owned as well as share-holding oil and gas companies that function very efficiently, and we can benefit from learning from them.

SRV: Last FULRO Group Arrested in Lam Dong Province

*BK2504093596 Hanoi CONG AN in Vietnamese
13 Apr 96 p 6*

[Report by Nhat Hung]

[FBIS Translated Text] The security service of Da Oai District, Lam Dong Province, arrested the last group of FULRO [Front Uni Pour La Liberation Des Races Opprimees] at 1100 on 24 March 1996 in a 1,500-meter high-altitude jungle area between Tanh Linh District of Binh Thuan Province and Da Oai District of Lam Dong Province. The group consisted of the following:

— K'Long Nhao was born in 1937 and fled to the jungle in March 1975. He was a major and chief of Rumka Province (now Long Khanh Province) before 1975;

— K'Ka Reo was born in 1954. He escaped from Dai Binh Detention Camp in Bao Loc District of Lam Dong Province and fled to the jungle in 1978;

— Ka Op is a woman FULRO member who fled to the jungle in 1977;

— K'Su, 6 years old, was born in the jungle and is the son of K'Ka Reo (mother deceased); and

— K'Mon, 7 years old, was born in the jungle and is the son of Ka Op (father deceased).

The Da Oai District security service searched their "den" and seized a rusty carbine, two crossbows, pots and pans, rags, and a firestone. The two children does not have any ideas about rice, cookies and candies, or new clothes.

According to the provincial security service, this is the last FULRO group in Lam Dong Province. They spent two years in the jungle area, lost contact with the outside world, and decided to live as "gorillas" [nguowowif ruwngf] instead of surrendering themselves to the local authorities for fear of arrest and detention.

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